Annual Financial Report
June 30, 2019

La Habra City School District

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LA HABRA CITY SCHOOL DISTRICT

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Financial Section

INDEPENDENT AUDITOR'S REPORT

Governing Board
La Habra City School District
La Habra, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Habra City School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the La Habra City School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedules on pages 65 through 66, schedule of changes in the District's total OPEB liability and related ratios on page 67, schedule of the District's proportionate share of the net pension liability on page 68, and the schedule of District contributions on page 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is 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 December 2, 2019, on our consideration of the La Habra City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 La Habra City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Habra City School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

La Habra City School District
500 North Walnut, La Habra, California 90631-3769

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, 2019, with comparative information for the year ending June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(30,094,475) for the fiscal year ended June 30, 2019. Of this amount, $(56,315,730) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net 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	
	2019	2018
Assets		
Current and other assets	$ 22,841,957	$ 19,451,011
Capital assets	42,241,334	41,949,524
Total Assets	**65,083,291**	**61,400,535**
Deferred Outflows of Resources	**20,929,623**	**17,664,147**
Liabilities		
Current liabilities	3,666,610	3,812,870
Long-term obligations	46,282,111	41,055,066
Aggregate net pension liability	60,464,442	54,117,602
Total Liabilities	**110,413,163**	**98,985,538**
Deferred Inflows of Resources	**5,694,226**	**5,941,391**
Net Position		
Net investment in capital assets	20,933,114	20,411,473
Restricted	5,288,141	4,075,666
Unrestricted (deficit)	(56,315,730)	(50,349,386)
Total Net Position (deficit)	**$ (30,094,475)**	**$ (25,862,247)**

The $(56,315,730) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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 2019	Governmental Activities 2018
Revenues		
Program revenues:		
Charges for services	$ 663,414	$ 741,238
Operating grants and contributions	12,317,740	11,060,641
General revenues:		
Federal and State aid not restricted	28,486,033	26,585,643
Property taxes	21,607,579	20,780,088
Other general revenues	2,907,531	1,824,503
Total Revenues	**65,982,297**	**60,992,113**
Expenses		
Instruction-related	48,496,544	43,914,573
Pupil services	8,071,178	7,839,079
Administration	3,676,793	2,804,684
Plant services	5,363,288	4,806,223
All other services	4,606,722	4,211,793
Total Expenses	**70,214,525**	**63,576,352**
Change in Net Position	**$ (4,232,228)**	**$ (2,584,239)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $70,214,525. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $21,607,579 because the cost was paid by those who benefited from the programs ($663,414) or by other governments and organizations who subsidized certain programs with grants and contributions ($12,317,740). We paid for the remaining "public benefit" portion of our governmental activities with $31,393,564 in State unrestricted funds, and with other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	$ 40,477,839	$ 36,417,744	$ 34,212,317	$ 30,869,548
Instruction-related services	8,018,705	7,496,829	6,701,482	6,300,050
Home-to-school transportation	1,135,457	1,145,266	1,100,700	1,120,990
Other pupil services	6,935,721	6,693,813	2,839,415	2,824,375
Administration	3,676,793	2,804,684	3,425,489	2,581,723
Plant services	5,363,288	4,806,223	5,355,167	4,804,962
All other services	4,606,722	4,211,793	3,598,801	3,272,825
Total	**$ 70,214,525**	**$ 63,576,352**	**$ 57,233,371**	**$ 51,774,473**

The factors for increased expenditures are due to an enhancement to the ongoing services as outlined in the 2018-2019 Local Control Accountability Plan (LCAP). Ongoing and enhanced services include increasing instructional days from 180 to 181, implementing a seven-period day for students at our middle schools, reducing class size for Transitional Kindergarten through third grade by one student per class on the average per site, professional development, along with other programs to support our targeted populations. In addition, expenditures have increased in the year ending June 30, 2019, due to Board approved increases in the salary schedules and increased pension expenditures.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $19,525,883, which is an increase of $3,649,508 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	$ 9,432,822	$ 62,113,138	$ 61,084,109	$ 10,461,851
Cafeteria Fund	814,647	3,121,317	3,147,579	788,385
Building Fund	209,847	5,288,496	1,462,122	4,036,221
Child Development Fund	270,414	452,981	394,624	328,771
Deferred Maintenance Fund	1,106,140	36,995	1,143,135	-
Capital Facilities Fund	825,803	134,353	20,778	939,378
Special Reserve Fund for Capital Outlay Projects	1,371,296	257,691	642,703	986,284
Bond Interest and Redemption Fund	1,845,406	2,249,656	2,110,069	1,984,993
Total	**$ 15,876,375**	**$ 73,654,627**	**$ 70,005,119**	**$ 19,525,883**

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

General Fund Budgetary Highlights

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

Revenue and expenditure revisions made to the 2018-2019 budget were due to changes made to reflect the actual operations of the District, including certificated salary increases that were Board approved after the adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $42,241,334 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $291,810, or 0.7 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in progress	$ 2,362,928	$ 1,208,840
Land and building improvements	37,703,054	38,294,465
Furniture and equipment	2,175,352	2,446,219
Total	**$ 42,241,334**	**$ 41,949,524**

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

Long-Term Obligations

At the end of this year, the District had $46,282,111 in long-term obligations versus $41,055,066 last year, an increase of 12.73 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds	$ 32,825,705	$ 28,238,751
Premium on issuance	671,099	613,405
Capital leases	295,977	464,184
Compensated absences	479,250	497,697
Net other postemployment benefits (OPEB) liability	12,010,080	11,241,029
Total	**$ 46,282,111**	**$ 41,055,066**

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $60,464,442 versus $54,117,602 last year, an increase of $6,346,840, or 11.73 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW

The Local Control Funding Formula (LCFF), signed into law by Governor Jerry Brown in July 2013, provided the District some relief from the fiscal challenges it faced since 2008-2009. In addition to the programs restored and added in 2013-2014, the District continued plans implemented the third year of the Local Control Accountability Plan (LCAP) that included:

- Seven period day at each Middle School
- Move towards reducing the average class size by one student each year in grades K-3
- Continue with additional staff to support student safety and wellness
- Continue to provide appropriate intervention models targeting the academic support of English Learners and students at risk previously funded by Economic Impact Aid (EIA)
- Continue of student access to instruction in academic content (Student days increased from 180 to 181)
- Improve District communication with stakeholders
- Utilize Measures of Academic Performance (MAP) to monitor student academic progress
- Hire staff dedicated to providing Physical Education to TK through grade 5
- Enhancing funding to maintain facilities
- Enhancing funding to upgrade or increase student access to technology
- The District reconfigured all of its elementary sites to a tradition model of K-6. This included major boundary changes and operations for parents to send their students to any site.
- Each site is given a core focus. Some of these focuses are Coding, VAPA, and International Bachelorette.
- The District has also stayed consistent with the Board of Trustees request of maintaining a minimum of 15 percent reserve.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 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 77.57 percent.
2. GAP funding of 100 percent.
3. Funded ADA of 4,477.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

LA HABRA CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 19,691,237
Receivables	3,034,134
Stores inventories	116,586
Capital assets	
Land and work in process	2,362,928
Other capital assets	70,615,637
Less: accumulated depreciation	(30,737,231)
Total Capital Assets	42,241,334
Total Assets	65,083,291
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	41,219
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	363,361
Deferred outflows of resources related to pensions	20,525,043
Total Deferred Outflows of Resources	20,929,623
LIABILITIES	
Accounts payable	3,252,009
Accrued interest payable	350,536
Unearned revenue	64,065
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,697,462
Noncurrent portion of long-term obligations other than pensions	44,584,649
Total Long-Term Obligations	46,282,111
Aggregate net pension liability	60,464,442
Total Liabilities	110,413,163
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	5,475,684
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	218,542
Total Deferred Inflows of Resources	5,694,226
NET POSITION	
Net investment in capital assets	20,933,114
Restricted for:	
Debt service	1,634,457
Capital projects	1,084,457
Educational programs	1,482,976
Other activities	1,086,251
Unrestricted (deficit)	(56,315,730)
Total Net Position (deficit)	$ (30,094,475)

The accompanying notes are an integral part of these financial statements.

LA HABRA CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 40,477,839	$ 32,963	$ 6,232,559	$ (34,212,317)
Instruction-related activities:				
Supervision of instruction	3,753,495	19,766	1,044,471	(2,689,258)
Instructional library, media, and technology	681,095	46	199,136	(481,913)
School site administration	3,584,115	1,190	52,614	(3,530,311)
Pupil services:				
Home-to-school transportation	1,135,457	-	34,757	(1,100,700)
Food services	3,094,229	264,699	2,486,554	(342,976)
All other pupil services	3,841,492	11,683	1,333,370	(2,496,439)
Administration:				
Data processing	638,893	102	4,764	(634,027)
All other administration	3,037,900	10,866	235,572	(2,791,462)
Plant services	5,363,288	3,343	4,778	(5,355,167)
Enterprise services	413,730	46,240	66,088	(301,402)
Interest on long-term obligations	1,517,323	-	-	(1,517,323)
Other outgo	1,153,008	272,516	623,077	(257,415)
Depreciation (unallocated)*	1,723,426	-	-	(1,723,426)
Total Governmental Activities	$ 70,415,290	$ 663,414	$ 12,317,740	(57,434,136)
	General revenues and subventions:			
	Property taxes, levied for general purposes			19,300,104
	Property taxes, levied for debt service			2,066,176
	Taxes levied for other specific purposes			241,299
	Federal and State aid not restricted to specific purposes			28,486,033
	Interest and investment earnings			186,346
	Miscellaneous			2,921,950
	Subtotal, General Revenues			53,201,908
	Change in Net Position			(4,232,228)
	Net Position - Beginning			(25,862,247)
	Net Position - Ending			$ (30,094,475)

* This amount excludes any depreciation that is included in the direct expenses of the various programs.

The accompanying notes are an integral part of these financial statements.

LA HABRA CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 9,501,342	$ 1,088,596	$ 4,635,828
Receivables	2,622,545	390,575	9,438
Due from other funds	884,363	-	-
Stores inventories	85,998	30,588	-
Total Assets	$ 13,094,248	$ 1,509,759	$ 4,645,266
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,622,646	$ 18,811	$ 447,272
Due to other funds	9,751	638,498	161,773
Unearned revenue	-	64,065	-
Total Liabilities	2,632,397	721,374	609,045
Fund Balances:			
Nonspendable	110,998	30,905	-
Restricted	1,482,976	757,480	4,036,221
Assigned	3,324,742	-	-
Unassigned	5,543,135	-	-
Total Fund Balances	10,461,851	788,385	4,036,221
Total Liabilities and Fund Balances	$ 13,094,248	$ 1,509,759	$ 4,645,266

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
$ 4,465,471	$ 19,691,237
11,576	3,034,134
9,751	894,114
-	116,586
$ 4,486,798	$ 23,736,071
$ 163,280	$ 3,252,009
84,092	894,114
-	64,065
247,372	4,210,188
-	141,903
3,398,221	9,674,898
841,205	4,165,947
-	5,543,135
4,239,426	19,525,883
$ 4,486,798	$ 23,736,071

LA HABRA CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 19,525,883**
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:	$ 72,978,565	
Accumulated depreciation is:	(30,737,231)	
Net Capital Assets		42,241,334
Deferred charge on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities expense.		41,219
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(350,536)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	5,921,836	
Net change in proportionate share of net pension liability	4,773,122	
Differences between projected and actual earnings on pension plan investments	134,952	
Differences between expected and actual experience in the measurement of the total pension liability	1,215,080	
Changes of assumptions	8,480,053	
Total Deferred Outflows of Resources Related to Pensions		20,525,043
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(3,141,679)	
Differences between projected and actual earnings on pension plan investments	(1,694,716)	
Differences between expected and actual experience in the measurement of the total pension liability	(639,289)	
Total Deferred Inflows of Resources Related to Pensions		(5,475,684)

The accompanying notes are an integral part of these financial statements.

LA HABRA CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2019

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to the measurement date.		$ 363,361
Deferred inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions.		(218,542)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(60,464,442)
Long-term obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ (24,418,584)	
Premium on issuance of general obligation bonds	(671,099)	
Capital leases	(295,977)	
Compensated absences	(479,250)	
Other postemployment benefits (OPEB) liability	(12,010,080)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	(8,407,121)	
Total Long-Term Obligations		(46,282,111)
Total Net Position - Governmental Activities		**$ (30,094,475)**

The accompanying notes are an integral part of these financial statements.

LA HABRA CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local Control Funding Formula	$ 45,681,528	$ -	$ -
Federal sources	3,908,977	2,574,989	-
Other State sources	8,008,501	244,232	7,161
Other local sources	3,514,132	283,607	76,335
Total Revenues	61,113,138	3,102,828	83,496
EXPENDITURES			
Current			
Instruction	39,307,610	-	-
Instruction-related activities:			
Supervision of instruction	3,517,461	-	-
Instructional library, media, and technology	639,498	-	-
School site administration	3,349,265	-	-
Pupil services:			
Home-to-school transportation	1,131,889	-	-
Food services	-	3,044,330	-
All other pupil services	3,649,793	-	-
Administration:			
Data processing	586,210	-	-
All other administration	2,819,126	101,964	-
Plant services	5,025,355	-	29,029
Other outgo	831,580	-	321,428
Enterprise services	338	-	-
Facility acquisition and construction	29,166	-	1,093,865
Debt service			
Principal	167,107	1,100	-
Interest and other	1,222	185	-
Total Expenditures	61,055,620	3,147,579	1,444,322
Excess (Deficiency) of Revenues Over Expenditures	57,518	(44,751)	(1,360,826)
Other Financing Sources (Uses)			
Transfers in	1,000,000	18,489	-
Other sources - proceeds from issuance of debt	-	-	5,205,000
Other sources - premium from issuance of debt	-		
Transfers out	(28,489)	-	(17,800)
Net Financing Sources (Uses)	971,511	18,489	5,187,200
NET CHANGE IN FUND BALANCES	1,029,029	(26,262)	3,826,374
Fund Balances - Beginning	9,432,822	814,647	209,847
Fund Balances - Ending	$ 10,461,851	$ 788,385	$ 4,036,221

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 45,681,528
-	6,483,966
26,397	8,286,291
2,914,320	6,788,394
2,940,717	67,240,179
-	39,307,610
-	3,517,461
-	639,498
-	3,349,265
-	1,131,889
-	3,044,330
-	3,649,793
-	586,210
-	2,921,090
129,974	5,184,358
-	1,153,008
394,624	394,962
676,642	1,799,673
1,515,000	1,683,207
595,069	596,476
3,311,309	68,958,830
(370,592)	(1,718,651)
27,800	1,046,289
-	5,205,000
163,159	163,159
(1,000,000)	(1,046,289)
(809,041)	5,368,159
(1,179,633)	3,649,508
5,419,059	15,876,375
$ 4,239,426	$ 19,525,883

LA HABRA CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ 3,649,508**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 2,015,236	
Depreciation expense	(1,723,426)	
Net expense adjustment		291,810
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.		(946,871)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
Sale of General Obligation Bonds		(5,205,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium on issuance		(163,159)
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). Vacation used was more than the amounts earned by:		18,447
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(2,639,323)
Repayment of debt obligation is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		1,515,000
Capital leases		168,207

The accompanying notes are an integral part of these financial statements.

LA HABRA CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

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 the financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 105,465	
Amortization of deferred charge on refunding	(17,056)	
Combined Adjustment		$ 88,409
Interest on long-term obligations 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 $112,302, and second, $896,954 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,009,256)
Change in Net Position of Governmental Activities		$ (4,232,228)

The accompanying notes are an integral part of these financial statements.

LA HABRA CITY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds			
	Unorganized	**Imperial Middle School**	**Washington Middle School**	**Total Agency Funds**
ASSETS				
Deposits and investments	$ 8,514	$ 17,620	$ 19,703	$ 45,837
LIABILITIES				
Due to student groups	$ 8,514	$ 17,620	$ 19,703	$ 45,837

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

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

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).

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45-60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, 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 held at June 30, 2019, 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 used.

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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 Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

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.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2019, 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.

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 liabilities. 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 $5,288,141 of restricted net position.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

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

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

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

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

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 19,691,237
Fiduciary funds	45,837
Total Deposits and Investments	$ 19,737,074

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$ 1,134,116
Cash in revolving	25,317
Investments	18,577,641
Total Deposits and Investments	$ 19,737,074

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, 2019

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	Amount Reported	Maturity Date/ Average Maturity in Days
Orange County Treasury Investment Pool	$ 18,219,516	310
California Domestic Water Company	358,125	-
Total	$ 18,577,641	

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District bank balance of $849,431 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using Level 3 Inputs	Uncategorized
Orange County Treasury Investment Pool	$ 18,219,516	$ -	$ 18,219,516
California Domestic Water Company	358,125	358,125	-
Total	$ 18,577,641	$ 358,125	$ 18,219,516

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	$ 1,456,001	$ 345,695	$ -	$ -	$ 1,801,696
State Government					
Categorical aid	760,035	25,509	-	-	785,544
Lottery	225,447	-	-	-	225,447
Local Government					
Interest	9,810	-	9,438	10,638	29,886
Other Local Sources	171,252	19,371	-	938	191,561
Total	$ 2,622,545	$ 390,575	$ 9,438	$ 11,576	$ 3,034,134

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 1,208,840	$ -	$ -	$ 1,208,840
Construction in Progress	-	1,154,088	-	1,154,088
Total Capital Assets Not Being Depreciated	1,208,840	1,154,088	-	2,362,928
Capital Assets Being Depreciated:				
Land Improvements	8,087,500	85,255	-	8,172,755
Buildings and Improvements	54,317,053	598,350	-	54,915,403
Furniture and Equipment	7,349,936	177,543	-	7,527,479
Total Capital Assets Being Depreciated	69,754,489	861,148	-	70,615,637
Total Capital Assets	70,963,329	2,015,236	-	72,978,565
Less Accumulated Depreciation:				
Land Improvements	4,978,581	232,799	-	5,211,380
Buildings and Improvements	19,131,507	1,042,217	-	20,173,724
Furniture and Equipment	4,903,717	448,410	-	5,352,127
Total Accumulated Depreciation	29,013,805	1,723,426	-	30,737,231
Governmental Activities Capital Assets, Net	$ 41,949,524	$ 291,810	$ -	$ 42,241,334

Depreciation expense was unallocated.

Governmental Activities	
Unallocated	$ 1,723,426

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds, are as follows:

	Due From				
Due To	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 638,498	$ 161,773	$ 84,092	$ 884,363
Non-Major Governmental Funds	9,751	-	-	-	9,751
Total	$ 9,751	$ 638,498	$ 161,773	$ 84,092	$ 894,114

The balance of $6,795 is due from the Child Development Non-Major Governmental Fund to the General Fund for payroll, benefits and other operating expenditures.

The balance was $77,297 is due from the Special Reserve Capital Outlay Projects Non-Major Governmental Fund to the General Fund for redevelopment property taxes.

The balance was $161,773 is due from the Building Fund to the General Fund for payroll and benefits expenditures.

A balance of $101,964 is due from the Cafeteria Fund to the General Fund for indirect costs.

A balance of $536,534 is due from the Cafeteria Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance of $1,452 due from the General Fund to the Capital Facilities Non-Major Governmental Fund for reimbursement of expenditures.

A balance of $1,724 is due from the General Fund to the Deferred Maintenance Non-Major Governmental Fund for reimbursement of expenditures.

A balance of $6,575 is due from the General Fund to the Special Reserve Capital Outlay Projects Non-Major Governmental Fund for reimbursement of expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From			
Transfer To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 1,000,000	$ 1,000,000
Cafeteria Fund	18,849	-	-	18,849
Deferred Maintenance Fund	-	17,800	-	17,800
Non-Major Governmental Funds	10,000	-	-	10,000
Total	$ 28,849	$ 17,800	$ 1,000,000	$ 1,046,649

The General Fund tranferred $18,489 to the Cafeteria Fund for food services bad debt related to unpaid student meals.

The General Fund transferred $10,000 to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects.

The Building Fund transferred $17,800 to the Deferred Maintenance Non-Major Governmental Fund for Deferred maintenance projects.

The Deferred Maintenance Non-Major Governmental Fund transferred $1,000,000 to the General Fund for repayment of deferred maintenance projects expenditures.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	$ 1,553,240	$ -	$ -	$ 27,121	$ 1,580,361
LCFF apportionment	32,938	-	-	-	32,938
Supplies and services	501,563	-	26,466	17,275	545,304
Capital outlay	-	-	420,562	101,359	521,921
Due to OCDE	401,100	-	-	-	401,100
Other vendor payables	133,805	18,811	244	17,525	170,385
Total	$ 2,622,646	$ 18,811	$ 447,272	$ 163,280	$ 3,252,009

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	Cafeteria Fund
Federal financial assistance	$ 64,065

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 28,238,751	$ 6,101,954	$ 1,515,000	$ 32,825,705	$ 1,555,000
Premium on issuance	613,405	163,159	105,465	671,099	-
Capital leases	464,184	-	168,207	295,977	142,462
Compensated absences	497,697	-	18,447	479,250	-
Net other postemployment benefits (OPEB) liability	11,241,029	1,329,236	560,185	12,010,080	-
Total	$ 41,055,066	$ 7,594,349	$ 2,367,304	$ 46,282,111	$ 1,697,462

Payments on the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Payment for the capital leases are made from the General Fund and the Cafeteria Fund. Compensated absences will be paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) liability will be paid by the General Fund.

2000 General Obligation Bonds, Series A

In August 2000, the District issued the $11,046,713 Election of 2000 General Obligation Bonds, Series A. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $4,498,287, and an aggregate principal debt service balance of $15,545,000. The bonds have a final maturity of August 1, 2025, with interest rate of 3.90 to 5.35 percent. Proceeds from the sale of the bonds were used to finance new construction, reconstruction, or modernization at each of the District's schools. At June 30, 2019, the principal balance outstanding of the 2000 General Obligation Bonds, Series A was $3,709,437.

2000 General Obligation Bonds, Series 2001A

In August 2001, the District issued the $2,267,884 Election of 2000 General Obligation Bonds, Series 2001A. The Series 2001A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $1,437,116, and an aggregate principal debt service balance of $3,705,000. The bonds have a final maturity of August 1, 2026, with interest rate of 3.00 to 5.25 percent. Proceeds from the sale of the bonds were used to finance new construction, reconstruction, or modernization at each of the District's schools. At June 30, 2019, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2001A was $1,334,093.

2000 General Obligation Bonds, Series 2002A

In August 2002, the District issued the $2,684,699 Election of 2000 General Obligation Bonds, Series 2002A. The Series 2002A bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting to $5,745,301, and an aggregate principal debt service balance of $8,430,000. The bonds have a final maturity of August 1, 2027, with interest rate of 3.35 to 5.98 percent. Proceeds from the sale of the bonds were used to finance new construction, reconstruction, or modernization at each of the District's schools. At June 30, 2019, the principal balance outstanding of the 2000 General Obligation Bonds, Series 2002A was $4,816,643.

2012 General Obligation Bonds, 2012 Series A

In December 2012, the District issued the $6,495,425 Election of 2012 General Obligation Bonds, 2012 Series A. The 2012 Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $6,374,575, and an aggregate principal debt service balance of $12,870,000. The bonds have a final maturity of August 1, 2038, with interest rate of 2.00 to 5.11 percent. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities, to fund capitalized interest through August 1, 2014, and to pay certain costs of issuing the bonds. At June 30, 2019, the principal balance outstanding of the 2012 General Obligation Bonds, 2012 Series A was $7,805,532.

2015 General Obligation Refunding Bonds

In December 2014, the District issued the $5,135,000 2015 General Obligation Refunding Bonds. The 2015 General Obligation Refunding Bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2021, with interest rate of 3.00 to 5.00 percent. Proceeds from the sale of the bonds were used to provide refunding of $5,450,000 in current interest bonds associated with the District's 2005 General Obligation Refunding Bonds that were issued in the amount of $8,715,000. The refunding resulted in a cumulative cash flow savings of $370,141 over the life of the new debt and an economic gain of $350,499 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.77 percent. At June 30, 2019, the principal balance outstanding of the 2016 General Obligation Refunding Bonds was $2,800,000, and unamortized premium on issuance and deferred charge on refunding were $200,025 and $41,219, respectively.

2012 General Obligation Bonds, 2015 Series B

In March 2015, the District issued the $3,700,000 Election of 2012 General Obligation Bonds, 2015 Series B. The 2015 Series B bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2039, with interest rate of 2.00 to 4.50 percent. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities, to pay capitalized interest, and to pay certain costs of issuing the bonds. At June 30, 2019, the principal balance outstanding of the 2012 General Obligation Bonds, 2015 Series B was $3,650,000, and unamortized premium on issuance $105,618.

2012 General Obligation Bonds, 2017 Series C

In March 2017, the District issued the $3,740,000 Election of 2012 General Obligation Bonds, 2017 Series C. The 2017 Series C bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2036, with interest rate of 2.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to finance acquisition, construction, furnishing and equipping certain District facilities, and to pay certain costs of issuing the bonds. At June 30, 2019, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series C was $3,505,000, and unamortized premium on issuance $207,192.

2012 General Obligation Bonds, 2017 Series D

In October 2018, the District issued the $5,205,000 Election of 2012 General Obligation Bonds, 2017 Series D. The 2017 Series D bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2043, with interest rate of 3.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to finance acquisition, construction, furnishing and equipping certain District facilities, and to pay certain costs of issuing the bonds. At June 30, 2019, the principal balance outstanding of the 2012 General Obligation Bonds, 2017 Series D was $5,205,000, and unamortized premium on issuance $158,264.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
8/1/2000	8/1/2025	3.90-5.35%	$ 11,046,713	$ 3,438,262	$ -	$ 271,175	$ -	$ 3,709,437
8/2/2001	8/1/2026	3.00-5.25%	2,267,884	1,440,689	-	98,404	205,000	1,334,093
8/1/2002	8/1/2027	3.35-5.98%	2,684,699	4,770,139	-	276,504	230,000	4,816,643
12/13/2012	8/1/2038	2.00-5.11%	6,495,425	7,554,661	-	250,871	-	7,805,532
12/17/2014	8/1/2021	3.00-5.00%	5,135,000	3,645,000	-	-	845,000	2,800,000
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	3,740,000	-	-	235,000	3,505,000
10/25/2018	8/1/2043	2.00-5.00%	5,205,000	-	5,205,000	-	-	5,205,000
				$ 28,238,751	$ 5,205,000	$ 896,954	$ 1,515,000	$ 32,825,705

The Bonds mature through 2044 as follows:

Year Ending, June 30,	Principal Including Accreted Interest To Date	Accreted Interest	Current Interest	Total
2020	$ 1,540,260	$ 14,740	$ 764,044	$ 2,319,044
2021	1,644,297	45,703	657,850	2,347,850
2022	1,755,312	79,688	598,975	2,433,975
2023	1,567,077	417,923	567,600	2,552,600
2024	1,538,641	541,359	564,650	2,644,650
2025-2029	7,009,206	3,590,794	2,786,359	13,386,359
2030-2034	5,337,770	2,307,230	2,533,863	10,178,863
2035-2039	7,548,142	2,356,858	1,823,034	11,728,034
2044-2044	4,885,000	-	505,775	5,390,775
Total	$ 32,825,704	$ 9,354,296	$ 10,802,150	$ 52,982,150

Capital Leases

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

	Copiers	Ford Transit	Apple Finance	Total
Balance, July 1, 2018	$ 16,668	$ 28,275	$ 437,632	$ 482,575
Additions	-	-	-	-
Payments	(16,668)	(7,069)	(145,877)	(169,614)
Balance, June 30, 2019	$ -	$ 21,206	$ 291,755	$ 312,961

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 153,588
2021	153,588
2022	5,785
Total	312,961
Less: Amount Representing Interest	16,984
Present Value of Minimum Lease Payments	$ 295,977

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $479,250.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 12,010,080	$ 363,361	$ 218,542	$ 987,593

The details of this plan are as follows:

<u>District Plan</u>

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, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	24
Active employees	367
	391

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 Teacher Education Association (CTA), 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 fiscal year 2018-2019, the District paid $322,639 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $12,010,080 was measured as of June 30, 2019. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as July 1, 2018.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.80	percent
Healthcare cost trend rates	4.00	percent for 2019

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 11,241,029
Service cost	891,273
Interest	437,963
Changes of assumptions or other inputs	(237,546)
Benefit payments	(322,639)
Net change in total OPEB liability	769,051
Balance at June 30, 2019	$ 12,010,080

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent in 2017 to 3.80 percent in 2019.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.80%)	$ 12,707,090
Current discount rate (3.80%)	12,010,080
1% increase (4.80%)	11,302,846

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 (3.00%)	$ 9,307,768
Current healthcare cost trend rate (4.00%)	12,010,080
1% increase (5.00%)	15,386,205

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

For the year ended June 30, 2019, the District recognized OPEB expense of $987,593. At June 30, 2019, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $363,361. In addition, the District reported deferred inflows of resources for changes of assumptions of $218,542.

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 19,004
2021	19,004
2022	19,004
2023	19,004
2024	19,004
Thereafter	123,522
	$ 218,542

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 25,000	$ 317	$ -	$ -	$ 25,317
Stores inventories	85,998	30,588	-	-	116,586
Total Nonspendable	110,998	30,905	-	-	141,903
Restricted					
Legally restricted	1,482,976	757,480	-	328,771	2,569,227
Capital projects	-	-	4,036,221	1,084,457	5,120,678
Debt services	-	-	-	1,984,993	1,984,993
Total Restricted	1,482,976	757,480	4,036,221	3,398,221	9,674,898
Assigned					
Capital projects	-	-	-	841,205	841,205
Deficit spending reserve	2,158,742	-		-	2,158,742
Declining enrollment reserve	500,000	-	-	-	500,000
RRM contribution	666,000	-	-	-	666,000
Total Assigned	3,324,742	-	-	841,205	4,165,947
Unassigned					
Reserve for economic uncertainties	1,766,525	-	-	-	1,766,525
Remaining unassigned	3,776,610	-	-	-	3,776,610
Total Unassigned	5,543,135	-	-	-	5,543,135
Total	$ 10,461,851	$ 788,385	$ 4,036,221	$ 4,239,426	$ 19,525,883

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, 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 2019, 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 12 - 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, 2019. The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 44,011,390	$ 15,397,164	$ 5,452,215	$ 5,175,417
CalPERS	16,453,052	5,127,879	23,469	3,385,742
Total	$ 60,464,442	$ 20,525,043	$ 5,475,684	$ 8,561,159

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $4,273,017.

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

At June 30, 2019, 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	$ 44,011,390
State's proportionate share of the net pension liability associated with the District	25,198,579
Total	$ 69,209,969

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0479 percent and 0.0437 percent, resulting in a net increase in the proportionate share of 0.0042 percent.

For the year ended June 30, 2019, the District recognized pension expense of $5,175,417. In addition, the District recognized pension expense and revenue of $2,960,265 for support provided by the State. At June 30, 2019, 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	$ 4,273,017	$ -
Net change in proportionate share of net pension liability	4,150,381	3,118,210
Differences between projected and actual earnings on pension plan investments	-	1,694,716
Differences between expected and actual experience in the measurement of the total pension liability	136,478	639,289
Changes of assumptions	6,837,288	-
Total	$ 15,397,164	$ 5,452,215

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 367,971
2021	(267,009)
2022	(1,421,802)
2023	(373,876)
Total	$ (1,694,716)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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
2020	$ 1,192,154
2021	1,192,154
2022	1,192,155
2023	1,785,070
2024	1,538,975
Thereafter	466,140
Total	$ 7,366,648

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, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 64,471,536
Current discount rate (7.10%)	44,011,390
1% increase (8.10%)	27,047,943

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, 2017 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $1,648,819.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $16,453,052. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0617 percent and 0.0574 percent, resulting in a net increase in the proportionate share of 0.0043 percent.

For the year ended June 30, 2019, the District recognized pension expense of $3,385,742. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,648,819	$ -
Net change in proportionate share of net pension liability	622,741	23,469
Differences between projected and actual earnings on pension plan investments	134,952	-
Differences between expected and actual experience in the measurement of the total pension liability	1,078,602	-
Changes of assumptions	1,642,765	-
Total	$ 5,127,879	$ 23,469

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 490,850
2021	117,383
2022	(376,168)
2023	(97,113)
Total	$ 134,952

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,412,741
2021	1,347,724
2022	560,174
Total	$ 3,320,639

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, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 23,954,858
Current discount rate (7.15%)	16,453,052
1% increase (8.15%)	10,229,231

Public Agency Retirement System (PARS)

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan. The District's contributions to PARS for fiscal year ending June 30, 2019, was $84,155.

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 $4,017,382 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Cafeteria Fund – Budgetary Comparison Schedule.*

NOTE 13 - 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, 2019.

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, 2019.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

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

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

During the year ended June 30, 2019, the District made payments of $280,046, $733,669, $944,227, $4,087,776, and $57,972 to the Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Metropolitan Employee Benefits Association, Self-Insured Schools of California, and the Orange County Fringe Benefits, respectively, for its property liability, workers' compensation, and health and welfare insurance premiums.

NOTE 15 - SUBSEQUENT EVENTS

In October 2019, the District issued $6,505,000 General Obligation Refunding Bonds 2019 Series A. The General Obligation Bonds were issued to execute the advance refunding portion of the District’s 2012 Election General Obligation Bonds, 2012 Series A. The General Obligation have a final maturity of August 1, 2037, with interest rates ranging from 2.45 to 3.22 percent.

REQUIRED SUPPLEMENTARY INFORMATION

LA HABRA CITY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 45,341,548	$ 45,740,145	$ 45,681,528	$ (58,617)
Federal sources	2,980,904	3,680,598	3,908,977	228,379
Other State sources	5,659,510	5,728,938	8,008,501	2,279,563
Other local sources	2,657,857	2,765,916	3,514,132	748,216
Total Revenues [1]	56,639,819	57,915,597	61,113,138	3,197,541
EXPENDITURES				
Current				
Certificated salaries	25,511,176	26,701,242	26,792,895	(91,653)
Classified salaries	8,913,818	9,500,434	9,889,803	(389,369)
Employee benefits	12,913,945	13,819,701	15,998,228	(2,178,527)
Books and supplies	2,169,211	2,059,792	2,191,972	(132,180)
Services and operating expenditures	5,059,338	5,212,702	5,167,799	44,903
Other outgo	933,686	938,526	729,616	208,910
Capital outlay	578,818	256,906	116,978	139,928
Debt service				
Principal	16,668	16,668	167,107	(150,439)
Interest and other	-	-	1,222	(1,222)
Total Expenditures [1]	56,096,660	58,505,971	61,055,620	(2,549,649)
Excess (Deficiency) of Revenues Over Expenditures	543,159	(590,374)	57,518	647,892
Other Financing Sources (Uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	-	(10,000)	(28,489)	(18,489)
Net Financing Sources (Uses)	1,000,000	990,000	971,511	(18,489)
NET CHANGE IN FUND BALANCES	1,543,159	399,626	1,029,029	629,403
Fund Balances - Beginning	9,432,822	9,432,822	9,432,822	-
Fund Balances - Ending	$ 10,975,981	$ 9,832,448	$ 10,461,851	$ 629,403

[1] On behalf payments of $2,171,467, relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

LA HABRA CITY SCHOOL DISTRICT

CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Federal sources	$ 1,905,071	$ 2,100,000	$ 2,574,989	$ 474,989
Other State sources	144,000	171,000	244,232	73,232
Other local sources	257,500	242,000	283,607	41,607
Total Revenues	2,306,571	2,513,000	3,102,828	589,828
EXPENDITURES				
Current				
Classified salaries	1,076,178	931,100	1,114,852	(183,752)
Employee benefits	341,050	351,097	442,211	(91,114)
Books and supplies	900,050	958,767	1,422,527	(463,760)
Services and operating expenditures	69,150	49,977	33,592	16,385
Other outgo	68,342	84,877	101,964	(17,087)
Capital outlay	25,000	41,343	31,148	10,195
Debt service				
Principal	5,924	5,924	1,100	4,824
Interest and other	1,445	1,445	185	1,260
Total Expenditures	2,487,139	2,424,530	3,147,579	(723,049)
Excess (Deficiency) of Revenues Over Expenditures	(180,568)	88,470	(44,751)	(133,221)
Other Financing Sources				
Transfers in	-	-	18,489	18,489
NET CHANGE IN FUND BALANCES	(180,568)	88,470	(26,262)	(114,732)
Fund Balances - Beginning	814,647	814,647	814,647	-
Fund Balances - Ending	$ 634,079	$ 903,117	$ 788,385	$ (114,732)

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 891,273	$ 867,419
Interest	437,963	370,307
Changes of assumptions	(237,546)	-
Benefit payments	(322,639)	(310,230)
Net change in total OPEB liability	769,051	927,496
Total OPEB liability - beginning	11,241,029	10,313,533
Total OPEB liability - ending	$ 12,010,080	$ 11,241,029
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

[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.

See accompanying note to required supplementary information.

LA HABRA CITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.0479%	0.0437%
District's proportionate share of the net pension liability	$ 44,011,390	$ 40,417,059
State's proportionate share of the net pension liability associated with the District	25,198,579	23,910,390
Total	$ 69,209,969	$ 64,327,449
District's covered - employee payroll	$ 25,618,240	$ 23,363,370
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	171.80%	172.99%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.0617%	0.0574%
District's proportionate share of the net pension liability	$ 16,453,052	$ 13,700,543
District's covered - employee payroll	$ 8,517,906	$ 7,044,448
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	193.16%	194.49%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.0467%	0.0435%	0.0484%
$ 37,732,719	$ 29,313,018	$ 28,268,236
21,480,564	15,503,335	17,069,582
$ 59,213,283	$ 44,816,353	$ 45,337,818
$ 23,238,500	$ 21,616,160	$ 19,893,845
162.37%	135.61%	142.10%
70%	74%	77%
0.0577%	0.0575%	0.0580%
$ 11,391,499	$ 8,468,284	$ 6,588,218
$ 6,931,746	$ 6,393,628	$ 6,096,717
164.34%	132.45%	108.06%
74%	79%	83%

LA HABRA CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 4,273,017	$ 3,696,712
Contributions in relation to the contractually required contribution	4,273,017	3,696,712
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 26,247,033	$ 25,618,240
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 1,648,819	$ 1,322,916
Contributions in relation to the contractually required contribution	1,648,819	1,322,916
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 9,128,662	$ 8,517,906
Contributions as a percentage of covered - employee payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

2017	2016	2015
$ 2,939,112	$ 2,493,491	$ 1,919,515
2,939,112	2,493,491	1,919,515
$ -	$ -	$ -
$ 23,363,370	$ 23,238,500	$ 21,616,160
12.58%	10.73%	8.88%
$ 978,333	$ 821,204	$ 752,594
978,333	821,204	752,594
$ -	$ -	$ -
$ 7,044,448	$ 6,931,746	$ 6,393,628
13.888%	11.847%	11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual	Excess
General Fund	$ 58,505,971	$ 61,055,620	$ 2,549,649
Cafeteria Fund	$ 2,424,530	$ 3,147,579	$ 723,049

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in Benefit Terms – There were no changes in benefit terms.

Change of Assumptions – The discount rate changed from 3.50 percent in 2018 to 3.80 percent in 2019.

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

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

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

LA HABRA CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,836,019
Title II, Part A, Supporting Effective Instruction	84.367	14341	194,184
Title III, English Learner Student Program	84.365	14346	285,354
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	85,063
Passed through North Orange County SELPA:			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,041,648
Preschool Grants, Part B, Sec 619	84.173	13430	37,030
Subtotal Special Education (IDEA) Cluster			1,078,678
Total U.S. Department of Education			3,479,298
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid Cluster:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	87,500
Passed through Orange County Office of Education:			
Medi-Cal Administrative Activities	93.778	10060	326,268
Subtotal Medicaid Cluster			413,768
Total U.S. Department of Health and Human Services			413,768
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,614,637
Especially Needy Breakfast Program	10.553	13526	648,310
Summer Food Service Program Operation	10.559	13004	17,909
Commodities	10.555	13396	191,934
Meal Supplements	10.556	13392	75,101
Subtotal Child Nutrition Cluster			2,547,891
NSLP Equipment Assistance Grants	10.579	14906	27,098
Total U.S. Department of Agriculture			2,574,989
Total Expenditures of Federal Awards			$ 6,468,055

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

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. Cynthia Aguirre	President	2022
Ms. Sandi Baltes	Clerk/Vice President	2020
Mr. John Dobson	Member	2020
Ms. Ida McMurray	Member	2022
Mr. Adam Rogers	Member	2022

ADMINISTRATION

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

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,957.68	1,974.46
Fourth through sixth	1,478.15	1,476.92
Seventh and eighth	981.11	980.83
Total Regular ADA	4,416.94	4,432.21
Extended Year Special Education		
Transitional kindergarten through third	3.71	3.71
Fourth through sixth	1.28	1.28
Seventh and eighth	1.25	1.25
Total Extended Year Special Education	6.24	6.24
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.55	2.90
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.02	0.02
Seventh and eighth	0.18	0.18
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.20	0.20
Total ADA	4,425.93	4,441.55

See accompanying note to supplementary information.

LA HABRA CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	39,065	181	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,545	181	-	Complied
Grade 2		54,545	181	-	Complied
Grade 3		54,545	181	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,390	181	-	Complied
Grade 5		54,390	181	-	Complied
Grade 6		54,390	181	-	Complied
Grades 7 - 8	54,000				
Grade 7		59,455	181	-	Complied
Grade 8		59,455	181	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

LA HABRA CITY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND				
Revenues	$ 57,135,206	$ 61,113,138	$ 53,991,836	$ 54,180,871
Other sources and transfers in	-	1,000,000	422,203	-
Total Revenues and Other Sources	57,135,206	62,113,138	54,414,039	54,180,871
Expenditures	57,773,057	61,055,620	56,457,581	51,098,237
Other uses and transfers out	-	28,489	5,129	1,016,141
Total Expenditures and Other Uses	57,773,057	61,084,109	56,462,710	52,114,378
INCREASE (DECREASE) IN FUND BALANCE	$ (637,851)	$ 1,029,029	$ (2,048,671)	$ 2,066,493
ENDING FUND BALANCE	$ 9,824,000	$ 10,461,851	$ 9,432,822	$ 11,481,493
AVAILABLE RESERVES [2]	$ 6,570,599	$ 5,543,135	$ 2,796,986	$ 1,563,440
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	11.37%	9.41%	4.95%	3.00%
LONG-TERM OBLIGATIONS	N/A	$ 46,282,111	$ 41,055,066	$ 40,416,095
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,376	4,426	4,477	4,554

The General Fund balance has decreased by $1,019,632 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of $637,851 (6.10 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, however anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $5,866,016 over the past two years.

Average daily attendance has decreased by 128 over the past two years. An additional decline of 50 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.
[3] On-behalf payments of $2,171,467 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

LA HABRA CITY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 381,719	$ 258	$ 939,798
Receivables	662	18	2,766
Due from other funds	-	1,724	1,452
Total Assets	$ 382,381	$ 2,000	$ 944,016
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 46,815	$ 2,000	$ 4,638
Due to other funds	6,795	-	-
Total Liabilities	53,610	2,000	4,638
Fund Balances:			
Restricted	328,771	-	939,378
Assigned	-	-	-
Total Fund Balances	328,771	-	939,378
Total Liabilities and Fund Balances	$ 382,381	$ 2,000	$ 944,016

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 1,165,278	$ 1,978,418	$ 4,465,471
1,555	6,575	11,576
6,575	-	9,751
$ 1,173,408	$ 1,984,993	$ 4,486,798
$ 109,827	$ -	$ 163,280
77,297	-	84,092
187,124	-	247,372
145,079	1,984,993	3,398,221
841,205	-	841,205
986,284	1,984,993	4,239,426
$ 1,173,408	$ 1,984,993	$ 4,486,798

LA HABRA CITY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
Other State sources	$ 12,922	$ -	$ -
Other local sources	440,059	9,195	134,353
Total Revenues	452,981	9,195	134,353
EXPENDITURES			
Current			
Plant services	-	124,246	2,403
Enterprise services	394,624	-	-
Facility acquisition and construction	-	18,889	18,375
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	394,624	143,135	20,778
Excess (Deficiency) of Revenues Over Expenditures	58,357	(133,940)	113,575
Other Financing Sources			
Transfers in	-	27,800	-
Other sources - premium from issuance of debt	-	-	-
Transfers out	-	(1,000,000)	-
Net Financing Sources	-	(972,200)	-
NET CHANGE IN FUND BALANCES	58,357	(1,106,140)	113,575
Fund Balances - Beginning	270,414	1,106,140	825,803
Fund Balances - Ending	$ 328,771	$ -	$ 939,378

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 13,475	$ 26,397
257,691	2,073,022	2,914,320
257,691	2,086,497	2,940,717
3,325	-	129,974
-	-	394,624
639,378	-	676,642
-	1,515,000	1,515,000
-	595,069	595,069
642,703	2,110,069	3,311,309
(385,012)	(23,572)	(370,592)
-	-	27,800
-	163,159	163,159
-	-	(1,000,000)
-	163,159	(809,041)
(385,012)	139,587	(1,179,633)
1,371,296	1,845,406	5,419,059
$ 986,284	$ 1,984,993	$ 4,239,426

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that that have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 6,483,966
Medi-Cal Billing Option	93.778	(15,911)
Total Schedule of Expenditures of Federal Awards		$ 6,468,055

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Habra City School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise La Habra City School District's basic financial statements, and have issued our report thereon dated December 2, 2019

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of La Habra City School District in a separate letter dated December 2, 2019.

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
December 2, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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 the Major Federal Program

We have audited La Habra City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of La Habra City School District's major Federal programs for the year ended June 30, 2019. La Habra City School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, La Habra City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
La Habra City School District
La Habra, California

Report on State Compliance

We have audited La Habra City School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the La Habra City School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the La Habra City School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about La Habra City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of La Habra City School District's compliance with those requirements.

Unmodified Opinion

In our opinion, La Habra City School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

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

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

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

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

Schedule of Findings and Questioned Costs

LA HABRA CITY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

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

STATE AWARDS

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

Unmodified for all programs except for the following program which was qualified:

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

Management
La Habra City School District
La Habra, California

In planning and performing our audit of the basic financial statements of La Habra City School District (the District) for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 2, 2019, on the basic financial statements of La Habra City School District.

INTERNAL CONTROL

Disbursements

Observation

It was noted that four of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of the most important approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets.

Observation

It was noted that two of 12 revolving cash disbursements selected for testing did not indicate any record of the item or service having been received or rendered.

Recommendation

The District should indicate on the invoice or receiving document the date and quantity of the materials received. The person indicating this should count all materials received and initial on the invoice or receiving document. This will assist the District's disbursement system to ensure only properly received merchandise or services are submitted for payment.

Observation

It was noted that six of 40 travel and conference disbursements were not preapproved. This could potentially lead to expenditures of questionable nature if disbursements are not pre-approved.

Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

ASSOCIATED STUDENT BODY (ASB)

Imperial Middle School

Observations

1. Cash collected by clubs/club advisors, the snack bar, or the student store is not accounted for properly. Cash collections are not supported by sub-receipts, tally sheets, or logs that tie the total to the cash count sheet. Out of nine deposits tested, eight contained receipts that did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.

2. Based on the review of the cash receipting procedures, it was noted that out of nine deposits tested, eight contained receipts that were not deposited in a timely manner. The delay in deposit ranged from approximately 10 to 18 days from the dates of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

3. Based on the review of the disbursement procedures it was noted that two of 15 expenditures were not adequately supported by a receipt.

4. Based on the review of the disbursement procedures, it was noted that two of eight disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. Additionally, one was delivered to a home address rather than the school site. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.

5. Based on the review of the disbursement procedures it was noted that two of eight disbursements tested were not approved prior to the transactions taking place, with one lacking documented approval. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

6. Based on the review of disbursement procedures, it was noted that a vendor name did not match the name on the bank account's canceled checks. Upon further investigation, it was noted that a book entry error had occurred.

7. During the testing of the bank reconciliation, it was noted that not all outstanding checks were listed in the bank reconciliation. Five checks totaling $905.93 were not listed in October's list of outstanding checks.

8. Per review of the ASB's bank account reconciliations, it was noted that the reconciliations prepared during the current year were not signed and dated by the preparer or dated by the reviewing party.

Recommendations

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

2. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

3. The site should maintain proper documentation of expenditures including invoices and receipts. ASB should ensure that all disbursement requests are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.

4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

5. To ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

6. All purchase orders created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with. Bookkeeping entries should be made in accordance to these approvals.

7. An accurate summary of revenues and expenditures should be prepared monthly and at year end, showing total revenues and expenditures for all student body accounts. Independent review of prepared bank reconciliation should always be performed by an administrator with accounting knowledge to ensure proper monitoring of the ASB activities. The review process will help identify any errors that may have otherwise gone unidentified.

8. Independent review of prepared bank reconciliation should always be performed by an administrator with accounting knowledge to ensure proper monitoring of the ASB activities. Upon reviewing the reconciliation, both the preparer and the reviewer should sign and date the reconciliation to indicate it was reviewed. The review process will help identify any errors that may have otherwise gone unidentified.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019