



Financial Statements
June 30, 2020

Huntington Beach City School District

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Independent Auditor's Report

Governing Board
Huntington Beach City School District
Huntington Beach, 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 Huntington Beach City School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and other required supplementary information on pages 79 through 83, 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 District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
January 8, 2021



HUNTINGTON BEACH CITY SCHOOL DISTRICT

8750 Dorsett Dr, Huntington Beach, CA 92646 (714) 964-8888

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This section of Huntington Beach City School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the basic financial statements and the related footnotes, 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 Huntington Beach City School District and the Huntington Beach City School Financing Corporation (its blended component unit) using the integrated approach as prescribed by 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. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

The Primary unit of the government is the Huntington Beach City School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as 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 Statements 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.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District's net position decreased at the end of the 2019-2020 fiscal year by \$5,189,426 (Table 2).
- On January 28, 2020 the Board of Trustees approved a fiscal solvency plan to address fiscal imbalances projected in the current and subsequent years.
- The Board of Trustees approved the closure of Joseph R. Perry elementary school effective for the 2020-2021 school year.
- As the District will be funded on the basis of the greater attendance for current or prior year for 2020-2021 and 2021-2022, and is on the trajectory of becoming a Community Funded district, declining enrollment is a less significant factor for the District's financial stability.
- The Board of Trustees revised policy to increase economic reserves for uncertainty by 2 percent. With 5 percent reserve the District will be able to maintain a strong financial position.
- The Board of Trustees revised policy to restrict Inter-district student attendance effective with the 2020-2021 school year.
- The District closed its schools in March 2020 due to the COVID-19 pandemic and incurred initial expenses in 2019-2020 associated with distance learning and remote student and staff support.
- Implementation of bond projects reduced facility expenditures needed from the General Fund.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was deficit \$20.7 million for the fiscal year ended June 30, 2020. Of this amount, \$72.0 million 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 that Net Position for day to day operations. Our analysis below focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current assets	\$ 54,057,008	\$ 89,357,058
Capital assets	127,588,412	98,072,282
Total Assets	<u>181,645,420</u>	<u>187,429,340</u>
Deferred Outflows of Resources	<u>19,483,140</u>	<u>22,068,196</u>
Liabilities		
Current liabilities	12,114,762	9,783,303
Long-term liabilities	203,205,800	209,996,791
Total Liabilities	<u>215,320,562</u>	<u>219,780,094</u>
Deferred Inflows of Resources	<u>6,557,709</u>	<u>5,277,727</u>
Net Position		
Net investment in capital assets	38,773,565	36,359,451
Restricted	12,434,040	12,946,530
Unrestricted deficit	<u>(71,957,316)</u>	<u>(64,866,266)</u>
Total Net Position (deficit)	<u><u>\$ (20,749,711)</u></u>	<u><u>\$ (15,560,285)</u></u>

The \$(72.0) million in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 10.9 percent (\$64.9 million compared to \$72.0 million).

Changes in Net Position

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

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,034,315	\$ 1,366,245
Operating grants and contributions	11,216,957	11,192,903
General revenues		
Federal and State aid not restricted	9,902,807	11,021,942
Property taxes	55,966,740	55,088,203
Other general revenues	3,797,260	5,550,385
Total revenues	<u>81,918,079</u>	<u>84,219,678</u>
Expenses		
Instruction-related	60,510,294	62,946,769
Pupil services	5,540,400	5,756,747
Administration	6,395,497	6,641,101
Plant services	9,266,943	9,934,717
Other	5,394,371	5,088,892
Total expenses	<u>87,107,505</u>	<u>90,368,226</u>
Extraordinary items		
Special item sale of land	-	3,168,000
Change in Net Position	<u>\$ (5,189,426)</u>	<u>\$ (2,980,548)</u>

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was \$87.1 million. However, the amount that was ultimately financed for these activities through local taxes was only \$60.0 million because the cost was paid by those who benefited from the programs (\$1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$11.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$13.7 million in State funds and with other general 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 including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction-related	\$ 60,510,294	\$ 62,946,769	\$ 52,135,300	\$ 55,025,909
Pupil services	5,540,400	5,756,747	3,221,714	3,065,144
Administration	6,395,497	6,641,101	6,204,185	6,486,058
Plant services	9,266,943	9,934,717	9,254,131	9,898,791
All other services	5,394,371	5,088,892	4,040,903	3,333,176
Total	\$ 87,107,505	\$ 90,368,226	\$ 74,856,233	\$ 77,809,078

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$43.4 million, which is a decrease of \$38.0 million from last year.

Table 4

	Balances and Activity			
	July 1, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General Fund	\$ 13,133,376	\$ 69,704,286	\$ 70,460,621	\$ 12,377,041
Building Fund	55,299,575	770,364	35,882,151	20,187,788
Special Reserve Fund for Capital				
Outlay Projects	1,354,730	637,048	1,068,363	923,415
Bond Interest and Redemption Fund	8,924,871	7,394,083	9,860,373	6,458,581
Child Development Fund	-	246,876	227,873	19,003
Cafeteria Fund	732,865	1,627,782	1,627,782	732,865
Deferred Maintenance Fund	253,986	4,809	-	258,795
Capital Facilities Fund	1,378,896	1,229,020	210,414	2,397,502
COP Capital Projects Fund	4	-	-	4
COP Debt Service Fund	364,842	314,158	600,841	78,159
Total	\$ 81,443,145	\$ 81,928,426	\$ 119,938,418	\$ 43,433,153

The primary reasons for these decreases are:

- Our facilities related funds, including Building Fund (Measure Q), Special Reserve fund for Capital Outlay Projects, and Bond Interest and Redemption Fund had an overall net decrease of \$38 million due to completion of and implementation of new Measure Q phase I and II projects.
- The decrease in the General Fund was offset by increases in the Child Development, Deferred Maintenance and Capital Facilities Fund.

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. The final amendment to the budget was adopted on June 30, 2020. (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 79.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$127.6 million in a broad range of capital assets, (net of depreciation), including land, construction in progress, buildings, and equipment.

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 59,787,231	\$ 34,954,776
Buildings and improvements	66,221,795	61,230,935
Furniture and equipment	1,579,386	1,886,571
Total	\$ 127,588,412	\$ 98,072,282

Limited capital projects are planned for the 2020-2021 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$203.2 million in long-term liabilities outstanding versus \$210.0 million last year, a decrease of 3.2 percent. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 95,796,360	\$ 101,407,926
Certificates of participation	6,470,000	6,745,000
Lease purchase agreement	5,371,386	5,938,961
Unamortized premiums	3,220,737	3,460,741
Capital leases	5,071,553	5,714,980
Compensated absences	472,058	386,186
Supplement early retirement plan	1,194,990	1,593,320
Aggregate net OPEB liability	10,801,815	9,325,959
Aggregate net pension liability	74,806,901	75,423,718
	<u>\$ 203,205,800</u>	<u>\$ 209,996,791</u>

We present more detailed information regarding our long-term liabilities in Note 9, Note 10, and Note 14 of the financial statements.

The District's general obligation bond rating continues to be "AA". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$95.8 million is significantly below this statutorily-imposed limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Conditions in California

At the end of the 2019-2020 fiscal year the District has taken proactive steps to correct operational imbalances that lead to a 2019-2020 General Fund operating deficit.

Economic conditions in California have become challenging in light of the COVID-19 pandemic. As reported by the California Legislative Analyst's Office, the emergence of the coronavirus disease 2019 (COVID-19) led to an abrupt recession beginning in March 2020. By May, the administration had revised its previous revenue estimates down \$42 billion across 2019-2020 and 2020-2021. These declines, combined with higher costs for the state's safety net programs – including Med-Cal and California Work Opportunity and Responsibility to Kids – resulted in a \$54.3 billion shortfall in the state budget. Regarding Proposition 98, the lower revenue estimates led to significant reductions to the minimum guarantee. The June 2020 budget plan assumed the guarantee would drop \$3.4 billion (4.2 percent) in 2019-2020 and \$10.2 billion (12.5 percent) in 2020-2021 relative to the 2019-2020 level estimated in June 2019.

As a significant part of its effort to address the budget shortfall, the state reduced school and community college funding to the lower estimates of the minimum guarantee. It implemented these reductions primarily by deferring \$12.5 billion in payments for LCFF, community college apportionments, and special education. (When the state defers payments from one fiscal year to the next, it can reduce spending while allowing districts to maintain programs by borrowing or using cash reserves.) These deferrals began with a \$2.2 billion shift from the end of 2019 20 to the following fiscal year. For 2020 21, the budget plan maintained these deferrals and implemented \$10.3 billion in additional deferrals. Under the modified payment schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about one fourth of the General Fund allocated for LCFF, community college apportionments, and special education. Other than implementing deferrals, the enacted budget largely held school and community college programs flat. (The budget did not include funding for the statutory COLA of 2.31 percent for 2020 21.)

The District will budget conservatively and continues to monitor State and local revenues.

Our 2019-2020 Budget will inevitably be changing during the year. The following are some of the key assumptions being made for the First Interim Financial Report for 2020-2021:

- Average Daily Attendance (ADA) is based on assumption of 5,123 due to a decrease in our enrollment because of continuing declining enrollment in Orange County and the policy change in Huntington Beach City School District.
- Projections for LCFF funding are based on estimates provided the State of California, Department of Finance.
- Staffing is based upon the following formulas:

	<u>Staffing Ratio</u>
Kindergarten	28:01:00
Grades 1 through 8	30:01:00

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, Taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the Assistant Superintendent, Administrative Services, Huntington Beach City School District, 8750 Dorsett Drive, Huntington Beach, California 92646.

Huntington Beach City School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 49,303,473
Receivables	4,684,917
Stores inventories	68,618
Capital assets not depreciated	59,787,231
Capital assets, net of accumulated depreciation	67,801,181
Total assets	181,645,420
Deferred Outflows of Resources	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	821,971
Deferred outflows of resources related to pensions	18,661,169
Total deferred outflows of resources	19,483,140
Liabilities	
Accounts payable	9,848,234
Interest payable	1,490,907
Unearned revenue	775,621
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,020,017
Long-term liabilities other than OPEB and pensions due in more than one year	111,577,067
Aggregate net OPEB liability	10,801,815
Aggregate net pension liability	74,806,901
Total liabilities	215,320,562
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	147,773
Deferred inflows of resources related to pensions	6,409,936
Total deferred inflows of resources	6,557,709
Net Position	
Net investment in capital assets	38,773,565
Restricted for	
Debt service	5,045,833
Capital projects	2,395,857
Educational programs	4,020,233
Other activities	972,117
Unrestricted deficit	(71,957,316)
Total net position (deficit)	\$ (20,749,711)

Huntington Beach City School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 52,593,144	\$ 16,791	\$ 7,872,431	\$ (44,703,922)
Instruction-related activities				
Supervision of instruction	2,775,249	2,654	286,886	(2,485,709)
Instructional library, media, and technology	657,876	-	-	(657,876)
School site administration	4,484,025	-	196,232	(4,287,793)
Pupil services				
Home-to-school transportation	1,020,723	-	-	(1,020,723)
Food services	1,799,012	663,618	767,723	(367,671)
All other pupil services	2,720,665	2,766	884,579	(1,833,320)
Administration				
Data processing	1,376,196	-	-	(1,376,196)
All other administration	5,019,301	39,933	151,379	(4,827,989)
Plant services	9,266,943	-	12,812	(9,254,131)
Ancillary services	43,679	-	-	(43,679)
Community services	14,858	-	-	(14,858)
Interest on long-term obligations	4,617,735	-	-	(4,617,735)
Other outgo	718,099	308,553	1,044,915	635,369
Total governmental activities	\$ 87,107,505	\$ 1,034,315	\$ 11,216,957	(74,856,233)
General Revenues and Subventions				
Property taxes, levied for general purposes				47,790,208
Property taxes, levied for debt service				7,294,865
Taxes levied for other specific purposes				881,667
Federal and State aid not restricted to specific purposes				9,902,807
Interest and investment earnings				1,072,529
Miscellaneous				2,724,731
Subtotal, general revenues				69,666,807
Change in Net Position				(5,189,426)
Net Position (deficit) - Beginning				(15,560,285)
Net Position (deficit) - Ending				<u>\$ (20,749,711)</u>

Huntington Beach City School District
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 9,972,585	\$ 26,169,489	\$ 3,448,282	\$ 6,445,581	\$ 3,267,536	\$ 49,303,473
Receivables	4,307,660	28,030	224	13,000	336,003	4,684,917
Due from other funds	2,560,454	-	-	-	141,805	2,702,259
Stores inventories	30,572	-	-	-	38,046	68,618
Total assets	\$ 16,871,271	\$ 26,197,519	\$ 3,448,506	\$ 6,458,581	\$ 3,783,390	\$ 56,759,267
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 3,707,047	\$ 6,009,731	\$ 25,091	\$ -	\$ 106,365	\$ 9,848,234
Due to other funds	141,805	-	2,500,000	-	60,454	2,702,259
Unearned revenue	645,378	-	-	-	130,243	775,621
Total liabilities	4,494,230	6,009,731	2,525,091	-	297,062	13,326,114
Fund Balances						
Nonspendable	45,572	-	-	-	38,546	84,118
Restricted	4,020,233	20,187,788	-	6,458,581	3,446,133	34,112,735
Assigned	6,253,824	-	923,415	-	1,649	7,178,888
Unassigned	2,057,412	-	-	-	-	2,057,412
Total fund balances	12,377,041	20,187,788	923,415	6,458,581	3,486,328	43,433,153
Total liabilities and fund balances	\$ 16,871,271	\$ 26,197,519	\$ 3,448,506	\$ 6,458,581	\$ 3,783,390	\$ 56,759,267

Huntington Beach City School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

Total Fund Balance - Governmental Funds \$ 43,433,153

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	\$ 208,700,676
Accumulated depreciation is	<u>(81,112,264)</u>

Net capital assets	127,588,412
--------------------	-------------

In governmental funds, unmatured interest on long-term
 liabilities is recognized in the period when it is due. On the
 government-wide financial statements, unmatured interest on
 long-term liabilities is recognized when it is incurred. (1,490,907)

Deferred outflows of resources represent a consumption of net
 position in a future period and is not reported in the governmental
 funds. Deferred outflows of resources amounted to and related to

Aggregate net other postemployment benefits	821,971
Aggregate net pension liability	<u>18,661,169</u>

Total deferred outflows of resources	19,483,140
--------------------------------------	------------

Deferred inflows of resources represent an acquisition of net position
 that applies to a future period and is not reported in the governmental
 funds. Deferred inflows of resources amount to and related to

Aggregate net other postemployment benefits	(147,773)
Aggregate net pension liability	<u>(6,409,936)</u>

Total deferred inflows of resources	(6,557,709)
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Huntington Beach City School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (74,806,901)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(10,801,815)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	\$ (88,868,959)	
Unamortized premium	(3,220,737)	
Certificates of participation	(6,470,000)	
Lease purchase agreements	(5,371,386)	
Capital leases	(5,071,553)	
Supplemental early retirement plan	(1,194,990)	
Compensated absences	(472,058)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bond is	<u>(6,927,401)</u>	
Total long-term liabilities		<u>(117,597,084)</u>
Total net position - governmental activities		<u><u>\$ (20,749,711)</u></u>

Huntington Beach City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
Revenues			
Local Control Funding Formula	\$ 55,625,220	\$ -	\$ -
Federal sources	1,841,432	-	-
Other State sources	6,737,828	-	-
Other local sources	5,499,806	770,364	587,048
Total revenues	<u>69,704,286</u>	<u>770,364</u>	<u>587,048</u>
Expenditures			
Current			
Instruction	46,591,020	-	-
Instruction-related activities			
Supervision of instruction	2,458,752	-	-
Instructional library, media, and technology	542,080	-	-
School site administration	3,907,791	-	-
Pupil services			
Home-to-school transportation	773,022	-	-
Food services	4,979	-	-
All other pupil services	2,487,764	-	-
Administration			
Data processing	891,736	-	-
All other administration	4,605,547	-	-
Plant services	5,444,826	-	6,489
Ancillary services	41,146	-	-
Community services	13,644	-	-
Other outgo	718,099	-	-
Facility acquisition and construction	-	35,882,151	919,032
Debt service			
Principal	1,361,002	-	-
Interest and other	337,497	-	142,842
Total expenditures	<u>70,178,905</u>	<u>35,882,151</u>	<u>1,068,363</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(474,619)</u>	<u>(35,111,787)</u>	<u>(481,315)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources	-	-	50,000
Transfers out	(281,716)	-	-
Net financing sources (uses)	<u>(281,716)</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balances	(756,335)	(35,111,787)	(431,315)
Fund Balances - Beginning	<u>13,133,376</u>	<u>55,299,575</u>	<u>1,354,730</u>
Fund Balances - Ending	<u>\$ 12,377,041</u>	<u>\$ 20,187,788</u>	<u>\$ 923,415</u>

Huntington Beach City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	\$ -	\$ -	\$ 55,625,220
Federal sources	-	746,020	2,587,452
Other State sources	35,952	288,551	7,062,331
Other local sources	7,358,131	2,106,358	16,321,707
Total revenues	<u>7,394,083</u>	<u>3,140,929</u>	<u>81,596,710</u>
Expenditures			
Current			
Instruction	-	168,376	46,759,396
Instruction-related activities			
Supervision of instruction	-	12,169	2,470,921
Instructional library, media, and technology	-	-	542,080
School site administration	-	14,307	3,922,098
Pupil services			
Home-to-school transportation	-	-	773,022
Food services	-	1,547,620	1,552,599
All other pupil services	-	7,104	2,494,868
Administration			
Data processing	-	-	891,736
All other administration	-	120,816	4,726,363
Plant services	-	14,403	5,465,718
Ancillary services	-	-	41,146
Community services	-	-	13,644
Other outgo	-	-	718,099
Facility acquisition and construction	-	181,274	36,982,457
Debt service			
Principal	6,315,000	125,000	7,801,002
Interest and other	3,545,373	475,841	4,501,553
Total expenditures	<u>9,860,373</u>	<u>2,666,910</u>	<u>119,656,702</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,466,290)</u>	<u>474,019</u>	<u>(38,059,992)</u>
Other Financing Sources (Uses)			
Transfers in	-	281,716	281,716
Other sources	-	-	50,000
Transfers out	-	-	(281,716)
Net financing sources (uses)	<u>-</u>	<u>281,716</u>	<u>50,000</u>
Net Change in Fund Balances	(2,466,290)	755,735	(38,009,992)
Fund Balances - Beginning	<u>8,924,871</u>	<u>2,730,593</u>	<u>81,443,145</u>
Fund Balances - Ending	<u>\$ 6,458,581</u>	<u>\$ 3,486,328</u>	<u>\$ 43,433,153</u>

Huntington Beach City School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds \$ (38,009,992)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 36,643,515
Depreciation expense	<u>(7,123,336)</u>

Net expense adjustment 29,520,179

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (4,049)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (SERP) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used, and special termination benefits paid and issued. 312,458

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (3,753,053)

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. (939,789)

Huntington Beach City School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

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

Premium amortization	\$ 240,004
Deferred amount on refunding amortization	(31,235)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 6,315,000	
Certificates of participation	275,000	
Lease purchase agreement	567,575	
Capital lease	<u>643,427</u>	
Total debt service principal		7,801,002

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

378,483

The District issued capital appreciation bonds. The accretion of interest on the general obligation bonds during the current fiscal year was

(703,434)

Change in net position of governmental activities

\$ (5,189,426)

Huntington Beach City School District
Statement of Net Position – Fiduciary Funds
June 30, 2020

	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$ 22,014</u>
Liabilities	
Due to student groups	<u>\$ 22,014</u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Huntington Beach City School District (the District) was organized in 1905 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 K-8 as mandated by the State of California. 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 the District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organizations relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Huntington Beach City School Financing Corporation's financial activity is presented in the financial statements within the COP Debt Service Fund and COP Capital Projects Fund. Certificates of Participation and Lease/Purchase Agreements issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Huntington Beach City School Financing Corporation.

Other Related Entities

Charter School The District has approved a Charter for Kinetic Academy Charter School pursuant to *Education Code* Section 47605. The Kinetic Academy Charter School is not operated by the District and not considered a component unit 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.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance and revenues of \$3,829,555 and \$7,940, respectively.

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

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).

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

Non-Major Governmental Funds

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

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **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).
- **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).
- **COP Capital Projects Fund** The COP Capital Projects Fund is used to account for capital projects financed by Certificates of Participation.

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 liabilities.

- **COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

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. 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 approach used 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 of the District and for each governmental function, and exclude 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 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 funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using a 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 balances 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 reconciliation 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. The Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General 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 financial statements of Net Position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

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 Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension and 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 and OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to 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 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 \$12,434,040 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 on the financial statements. Interfund transfers are eliminated in the governmental Statement of Activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

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

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

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

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

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

(2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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

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

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

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental activities	\$ 49,303,473
Fiduciary funds	22,014
	<u>22,014</u>
Total deposits and investments	<u>\$ 49,325,487</u>

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

Investments	\$ 46,119,973
Cash on hand and in banks	22,014
Cash in revolving	15,500
Cash with fiscal agent	3,168,000
	<u>3,168,000</u>
Total deposits and investments	<u>\$ 49,325,487</u>

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 accompanying 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.

The District is an involuntary participant in the Orange County Educational Investment Pool. The pool is managed by the Orange County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

As provided by the California Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds based upon the funds average daily deposit balance during the allocation period.

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

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 interest rates. The District manages its exposure to interest rate risk by investing primarily in the Orange County Educational Investment Pool and 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.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity In Days
Money Market Mutual Funds - Invesco Governmental Agency	\$ 78,163	N/A
Orange County Educational Investment Pool	46,041,810	266
Total	<u>\$ 46,119,973</u>	

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 Educational Investment Pool is rated AAAM and Invesco Government and Agency Mutual Funds is rated BBB+ by Standard and Poor's Global Investor Services. The Cash with Fiscal Agent is not required to be rated, nor has it been rated as of June 30, 2020.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District did not have any bank balance exposed to custodial credit risk.

Note 3 - Fair Value Measurements

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

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

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

Investment Type	Reported Amount	Level 1 Inputs
Mutual Funds - Invesco Government and Agency	\$ 78,163	\$ 78,163

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

Note 4 - Receivables

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal government						
Categorical aid	\$ 1,408,019	\$ -	\$ -	\$ -	\$ 145,220	\$ 1,553,239
State government						
LCFF apportionment	1,398,812	-	-	-	-	1,398,812
Categorical aid	908,580	-	-	-	34,619	943,199
Lottery	262,858	-	-	-	-	262,858
Local government						
Interest	13,045	28,030	224	13,000	2,942	57,241
Other local sources	316,346	-	-	-	153,222	469,568
Total	\$ 4,307,660	\$ 28,030	\$ 224	\$ 13,000	\$ 336,003	\$ 4,684,917

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 25,374,763	\$ -	\$ -	\$ 25,374,763
Construction in progress	9,580,013	24,832,455	-	34,412,468
Total capital assets not being depreciated	34,954,776	24,832,455	-	59,787,231
Capital assets being depreciated				
Land improvements	5,318,009	-	-	5,318,009
Buildings and improvements	123,912,667	11,774,014	-	135,686,681
Furniture and equipment	7,880,235	37,046	8,526	7,908,755
Total capital assets being depreciated	137,110,911	11,811,060	8,526	148,913,445
Total capital assets	172,065,687	36,643,515	8,526	208,700,676
Accumulated depreciation				
Land improvements	(3,702,935)	(178,981)	-	(3,881,916)
Buildings and improvements	(64,296,806)	(6,604,173)	-	(70,900,979)
Furniture and equipment	(5,993,664)	(340,182)	(4,477)	(6,329,369)
Total accumulated depreciation	(73,993,405)	(7,123,336)	(4,477)	(81,112,264)
Governmental activities capital assets, net	\$ 98,072,282	\$ 29,520,179	\$ 4,049	\$ 127,588,412

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 3,102,011
Supervision of instruction	164,339
Instructional library, media, and technology	36,475
School site administration	261,012
Transportation	52,015
Food services	104,471
All other pupil services	165,829
Data processing	60,003
All other administration	320,950
Plant services	<u>2,856,231</u>
Total depreciation expenses governmental activities	<u><u>\$ 7,123,336</u></u>

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ 2,500,000	\$ 60,454	\$ 2,560,454
Non-Major Governmental Funds	141,805	-	-	141,805
Total	\$ 141,805	\$ 2,500,000	\$ 60,454	\$ 2,702,259

A balance of \$584 is due to the Child Development Non-Major Governmental Fund from the General Fund for reimbursement of operating expenditures.

A balance of \$141,221 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for temporary loan.

The balance of \$2,500,000 due to the General Fund from the Special Reserve Fund for Capital Outlay Projects resulted from a temporary loan.

A balance of \$24,048 is due to the General Fund from the Child Development Non-Major Governmental Fund for reimbursement for operating expenditures.

A balance of \$36,406 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of operating expenditures.

Operating Transfers

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

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	\$ 281,716
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for operating expenditures.	\$ 125,249
The General Fund transferred to the COP Debt Service Non-Major Governmental Fund for debt service payments.	156,467
Total	\$ 281,716

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 2,187,194	\$ -	\$ -	\$ 100,232	\$ 2,287,426
State LCFF apportionment	342,081	-	-	-	342,081
Construction	-	6,009,731	25,091	-	6,034,822
Due to SELPA	218,916	-	-	-	218,916
Due to Kinetic Academy	211,752	-	-	-	211,752
Other vendor payables	747,104	-	-	6,133	753,237
Total	\$ 3,707,047	\$ 6,009,731	\$ 25,091	\$ 106,365	\$ 9,848,234

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 147,678	\$ -	\$ 147,678
State categorical aid	-	20,000	20,000
Other local	497,700	110,243	607,943
Total	\$ 645,378	\$ 130,243	\$ 775,621

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 101,407,926	\$ 703,434	\$ 6,315,000	\$ 95,796,360	\$ 4,655,000
Unamortized premiums	3,460,741	-	240,004	3,220,737	-
Certificates of participation - 2010	6,745,000	-	275,000	6,470,000	-
Lease purchase agreement - 2012	3,408,961	-	337,575	3,071,386	174,538
Lease purchase agreement - 2016	2,530,000	-	230,000	2,300,000	120,000
Capital leases	5,714,980	-	643,427	5,071,553	672,149
Compensated absences	386,186	85,872	-	472,058	-
Supplemental early retirement plan	1,593,320	-	398,330	1,194,990	398,330
Total	\$ 125,247,114	\$ 789,306	\$ 8,439,336	\$ 117,597,084	\$ 6,020,017

General Obligation Bond debt is paid from taxes collected by the County Treasurer and is recorded in the Bond Interest and Redemption Fund. The Certificates of Participation are paid from the COP Debt Service Fund. The Lease Purchase Agreements and the Capital Lease is paid from the General Fund. Compensated absences are paid by the fund for which the employee worked. The supplemental early retirement plan is paid from the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Dates	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
5/15/2002	2027	8.40%	\$ 19,995,023	\$ 3,666,857	\$ -	\$ 314,483	\$ -	\$ 3,981,340
7/24/2003	2029	7.39%	10,003,939	5,166,069	-	388,951	-	5,555,020
8/14/2014	2022	2.00-5.00%	565,000	400,000	-	-	175,000	225,000
8/14/2014	2022	3.00-5.00%	9,245,000	6,530,000	-	-	2,875,000	3,655,000
5/9/2017	2047	3.00-5.00%	50,000,000	45,645,000	-	-	3,265,000	42,380,000
1/9/2019	2049	3.00-5.00%	40,000,000	40,000,000	-	-	-	40,000,000
				<u>\$ 101,407,926</u>	<u>\$ -</u>	<u>\$ 703,434</u>	<u>\$ 6,315,000</u>	<u>\$ 95,796,360</u>

2002 Series A

In May 2002, the District issued current and capital appreciation, General Obligation Bonds, Election 2002, Series 2002A, in the amount of \$19,995,023 (accreting to \$25,320,000) in order to raise money for modernization, reconstruction, and new construction. The District received authorization at an election held March 5, 2002, by a fifty-five percent majority of the votes cast by the eligible voters within the District. In August 2005, a portion of the bonds were refunded (see 2005 refunding note that follows). The remaining bonds have maturity dates of August 1, 2024, 2025, and 2026, with an interest rate of 8.40 percent. At June 30, 2020, the outstanding principal on the bonds amounted to \$3,981,340, including accretion to date.

2003 Series A

In July 2003, the District issued current and capital appreciation, General Obligation Bonds, Election 2002, Series 2003A, in the amount of \$10,003,939 (accreting to \$17,489,929) in order to raise money for modernization, reconstruction, and new construction. In August 2005, a portion of the bonds were refunded (see 2005 refunding note that follows). The remaining bonds mature annually beginning August 1, 2024 through August 1, 2028, with an interest rate of 7.39 percent. At June 30, 2020, the outstanding principal on the bonds amounted to \$5,555,020, including accretion to date.

2014A Refunding

In August 2014, the District refunded a portion of the previously issued 2005 refunding bonds, with the issuance of the 2014A General Obligation Refunding Bonds. The proceeds of \$565,000 were used to refund on an advance basis a portion of the unmatured principal and interest of the 2005 refunding bond and pay legal and financial, contingent cost in connection therewith. The refunding qualified as an in substance defeasance. The debt is considered an in substance defeasance because the District irrevocably placed funds with an escrow agent to be used solely to satisfy scheduled principal and interest payment of the debt. The remaining bonds have maturity dates of August 1, 2019, 2020, and 2021, with an interest rates ranging from 2.0 to 5.0 percent. At June 30, 2020, the outstanding principal on the bonds amounted to \$225,000. Unamortized premium received on issuance of the bonds amount to \$14,192 as of June 30, 2020.

2015A Refunding

In August 2014, the District refunded a portion of the previously issued 2005 refunding bonds, with the issuance of the 2015A General Obligation Refunding Bonds. The proceeds of \$9,245,000 were used to refund on an advance basis a portion of the unmatured principal and interest of the 2005 refunding bond and pay legal and financial, contingent cost in connection therewith. The refunding qualified as an in substance defeasance. The remaining bonds have maturity dates of August 1, 2019, 2020, and 2021, with an interest rates ranging from 3.0 to 5.0 percent. At June 30, 2020, the outstanding principal on the bonds amounted to \$3,655,000. Unamortized premium received on issuance of the bonds amount to \$251,361 as of June 30, 2020.

2016 General Obligation Bonds, Series A

In May 2017, the District issued General Obligation, Series A in the amount of \$50,000,000. The bonds were voter approved in November 2016 to finance repairs, renovations, and construction of STEM labs. The bonds mature through 2046. Interest rates on the bonds range from 3.0 to 5.0 percent. At June 30, 2020, the outstanding principal on the bonds amounted to \$42,380,000. Unamortized premium received on issuance on the bonds amount to \$1,824,060 as of June 30, 2020.

2016 General Obligation Bonds, Series B

In January 2019, the District issued General Obligation, Series B in the amount of \$40,000,000. The bonds were voter approved in November 2016 to finance repairs renovations and construction of STEM labs. The bonds mature through 2049. Interest rates on the bonds range from 3.0 to 5.0 percent. At June 30, 2020, the outstanding principal on the bonds amounted to \$40,000,000. Unamortized premium received on issuance on the bonds amount to \$1,131,124 as of June 30, 2020.

These bonds are all repaid through the annual levy of ad valorem taxes on property within the District boundaries.

Debt Service Requirements to Maturity

2002 Series A

Fiscal Year	Principal (Including Accreted Interest to Date)	Unmatured Accreted Interest	Total
2025	\$ 1,401,796	\$ 628,204	\$ 2,030,000
2026-2027	2,579,544	1,645,456	4,225,000
Total	\$ 3,981,340	\$ 2,273,660	\$ 6,255,000

2003 Series A

Fiscal Year	Principal (Including Accreted Interest to Date)	Unmatured Accreted Interest	Total
2025	\$ 814,717	\$ 314,750	\$ 1,129,467
2026-2029	4,740,303	3,295,159	8,035,462
Total	<u>\$ 5,555,020</u>	<u>\$ 3,609,909</u>	<u>\$ 9,164,929</u>

2014A Refunding

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 195,000	\$ 5,475	\$ 200,475
2022	30,000	300	30,300
Total	<u>\$ 225,000</u>	<u>\$ 5,775</u>	<u>\$ 230,775</u>

2015A Refunding

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 3,150,000	\$ 98,950	\$ 3,248,950
2022	505,000	10,100	515,100
Total	<u>\$ 3,655,000</u>	<u>\$ 109,050</u>	<u>\$ 3,764,050</u>

Huntington Beach City School District

Notes to Financial Statements

June 30, 2020

2016 Series A

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 1,310,000	\$ 1,641,982	\$ 2,951,982
2022	-	1,628,882	1,628,882
2023	-	1,628,882	1,628,882
2024	-	1,628,882	1,628,882
2025	-	1,628,882	1,628,882
2026-2030	3,140,000	7,841,660	10,981,660
2031-2035	5,795,000	6,814,419	12,609,419
2036-2040	9,655,000	5,263,865	14,918,865
2041-2045	14,810,000	2,865,003	17,675,003
2046-2047	7,670,000	282,931	7,952,931
Total	\$ 42,380,000	\$ 31,225,388	\$ 73,605,388

2016 Series B

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ -	\$ 1,547,600	\$ 1,547,600
2022	-	1,547,600	1,547,600
2023	-	1,547,600	1,547,600
2024	140,000	1,544,800	1,684,800
2025	205,000	1,537,900	1,742,900
2026-2030	2,135,000	7,487,900	9,622,900
2031-2035	4,515,000	6,854,172	11,369,172
2036-2040	7,575,000	5,850,622	13,425,622
2041-2045	11,860,000	3,980,000	15,840,000
2046-2049	13,570,000	1,137,000	14,707,000
Total	\$ 40,000,000	\$ 33,035,194	\$ 73,035,194

Certificates of Participation

In July 2010, the Huntington Beach City School District Financing Corporation issued Certificates of Participation in the amount of \$7,875,000 with interest ranging from 2.0 percent to 7.3 percent. The proceeds of the issuance were used for acquisition, construction, and installation of energy efficient capital improvements to existing school facilities. At June 30, 2020, the principal balance outstanding was \$6,470,000.

Huntington Beach City School District

Notes to Financial Statements

June 30, 2020

The certificates mature through 2036 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ -	\$ 309,822	\$ 309,822
2022	180,000	457,776	637,776
2023	210,000	445,546	655,546
2024	245,000	430,884	675,884
2025	280,000	413,575	693,575
2026-2030	1,780,000	1,726,389	3,506,389
2031-2035	2,985,000	877,870	3,862,870
2036	790,000	28,866	818,866
Total	<u>\$ 6,470,000</u>	<u>\$ 4,690,728</u>	<u>\$ 11,160,728</u>

Lease/Purchase Agreement

In September 2012, the District entered into a lease/purchase agreement in the amount of \$5,587,753 with the Huntington Beach City School District Finance Corporation to refinance the 2004 Certificates of Participation by prepaying the outstanding Certificates.

This was an advance refunding resulting in a legal defeasance of the previously issued certificates of participation. An escrow fund was established to fund continued payment of the principal and interest as it becomes due. The escrow agreement provides for the redemption of the remaining outstanding principal of the 2004 Certificates of Participation.

As of June 30, 2020, the principal balance outstanding is \$3,071,386. The lease/purchase agreement matures through 2029 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 174,538	\$ 41,464	\$ 216,002
2022	354,602	75,858	430,460
2023	362,993	66,209	429,202
2024	370,933	56,370	427,303
2025	383,238	46,286	429,524
2026-2029	1,425,082	77,897	1,502,979
Total	<u>\$ 3,071,386</u>	<u>\$ 364,084</u>	<u>\$ 3,435,470</u>

Huntington Beach City School District

Notes to Financial Statements

June 30, 2020

In June 2016, the District entered into a lease/purchase agreement in the amount of \$3,190,000 with the Huntington Beach City School District Finance Corporation to refinance the 2006 Certificates of Participation by prepaying the outstanding Certificates.

This was an advance refunding resulting in a legal defeasance of the previously issued certificates of participation. An escrow fund was established to fund continued payment of the principal and interest as it becomes due. The escrow agreement provides for the redemption of the remaining outstanding principal of the 2006 Certificates of Participation.

As of June 30, 2020, the principal balance outstanding is \$2,300,000. The lease/purchase agreement matures through 2031 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 120,000	\$ 24,150	\$ 144,150
2022	230,000	44,573	274,573
2023	240,000	39,690	279,690
2024	250,000	34,598	284,598
2025	255,000	29,348	284,348
2026-2030	1,205,000	64,152	1,269,152
Total	\$ 2,300,000	\$ 236,511	\$ 2,536,511

Capital Leases

In November of 2014, the District entered into an equipment lease agreement for the acquisition of certain equipment for the Energy Conservation Measures. The terms of the agreement are annual payments with interest ranging from 0.18 percent to 2.64 percent for a period of 16 years. At June 30, 2020, the principal balance outstanding is \$5,071,553. The District's liability, including interest, on the equipment lease financing is summarized below:

Balance, July 1, 2019	<u>\$ 6,635,621</u>
Payments	<u>(794,302)</u>
Balance, June 30, 2020	<u>\$ 5,841,319</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	\$ 806,038
2022	890,407
2023	403,924
2024	415,846
2025	426,379
2026-2030	2,364,008
2031	534,717
Total	<u>5,841,319</u>
Less amount representing interest	<u>(769,766)</u>
Present value of minimum lease payments	<u>\$ 5,071,553</u>

The equipment purchased through capital lease arrangements has been capitalized and is being depreciated over the estimated useful lives.

Equipment	\$ 723,418
Less accumulated depreciation	<u>(168,386)</u>
Total	<u>\$ 555,032</u>

Amortization of the leased equipment under capital assets is included with depreciation expense.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$472,058.

Supplemental Early Retirement Plan

On March 12, 2019, the District elected to provide a voluntary early retirement program for qualified employees. The District will fund a supplemental benefit for each participant in the form of five annual employer contributions into an Annuity Contract held at the United of Omaha Life Insurance. The sum of the contributions shall equal seventy percent (70 percent) of the participant's final pay.

The terms of the retirement incentive are that the employee is a certificated non-management, certificated management, classified non-management, or classified management employee. The first payment is due June 1, 2019. The employee must be at least fifty-five (55) with at least five (5) years of service with the employer by June 30, 2019; has resigned from employment with the employer on or before June 30, 2019.

As of June 30, 2020, the outstanding balance of the supplemental Early Retirement was \$1,194,990. Payments will be made according to the agreement as follows:

<u>Fiscal Year</u>	<u>Total</u>
2021	\$ 398,330
2022	398,330
2023	398,330
	<u>398,330</u>
Total	<u>\$ 1,194,990</u>

Note 10 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 10,417,122	\$ 821,971	\$ 147,773	\$ 960,042
Medicare Premium Payment (MPP) Program	384,693	-	-	(20,253)
	<u>384,693</u>	<u>-</u>	<u>-</u>	<u>(20,253)</u>
Total	<u>\$ 10,801,815</u>	<u>\$ 821,971</u>	<u>\$ 147,773</u>	<u>\$ 939,789</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2020, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	37
Active employees	393
	<hr/>
Total	430
	<hr/> <hr/>

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 (TEA), 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, TEA, CSEA, and the unrepresented groups. For fiscal year 2019-2020, the District paid \$190,959 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$10,417,122 was measured as of June 30, 2020, and the total OPEB liability used was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.80 percent, net of investment expense, including inflation
Healthcare cost trend rates	6.00 percent

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

Mortality rates were based on the RP-2014 Employee and Health Annuitant Mortality Tables for Males or Females, as appropriate as appropriate, projected using a generational projection based on 100 percent of scale MP-2016 for years 2014 through 2029, 50 percent of MP-2016 for years 2030 through 2049, and 20 percent of MP-2016 for 2050 and thereafter.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	\$ 8,921,013
Service cost	126,194
Interest	356,602
Differences between expected and actual experience	269,383
Changes of assumptions or other inputs	934,889
Benefit payments	<u>(190,959)</u>
Net change in total OPEB liability	<u>1,496,109</u>
Balance, June 30, 2020	<u><u>\$ 10,417,122</u></u>

There were no changes in the benefit terms since the previous valuations. The inflation rate decreased from 2.75 percent to 2.25 percent since the previous valuation. The Health care cost trend rates increased from 4.00 percent to 6.00 percent since the previous valuation. The salary increase rates increased from 2.75 percent to 3.00 percent since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.80%)	\$ 11,270,938
Current discount rate (3.80%)	10,417,122
1% increase (4.80%)	9,633,802

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 (5.00%)	\$ 9,370,698
Current healthcare cost trend rate (6.00%)	10,417,122
1% increase (7.00%)	11,619,211

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,710	\$ -
Changes of assumptions	586,261	147,773
Total	\$ 821,971	\$ 147,773

Amounts reported as deferred outflows/(inflows) of resources and related to differences between expected and actual experience and the changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 13.8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2021	\$ 96,315
2022	96,315
2023	96,315
2024	96,315
2025	96,315
Thereafter	192,623
	\$ 674,198

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan

(OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$384,693 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.1033 percent and 0.1058 percent, resulting in a net decrease in the proportionate share of 0.0025 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(20,253).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, 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

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.50%)	\$ 419,788
Current discount rate (3.50%)	384,693
1% increase (4.50%)	352,425

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

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

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 360,572
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	384,693
1% increase (4.7% Part A and 5.1% Part B)	432,873

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 500	\$ 15,500
Stores inventories	30,572	-	-	-	38,046	68,618
Total nonspendable	<u>45,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,546</u>	<u>84,118</u>
Restricted						
Legally restricted programs	4,020,233	-	-	-	713,322	4,733,555
Capital projects	-	20,187,788	-	-	2,395,857	22,583,645
Debt services	-	-	-	6,458,581	78,159	6,536,740
Deferred maintenance program	-	-	-	-	258,795	258,795
Total restricted	<u>4,020,233</u>	<u>20,187,788</u>	<u>-</u>	<u>6,458,581</u>	<u>3,446,133</u>	<u>34,112,735</u>
Assigned						
Capital projects	-	-	923,415	-	1,649	925,064
Decrease in fund balance	2,424,269	-	-	-	-	2,424,269
Postemployment benefits	3,829,555	-	-	-	-	3,829,555
Total assigned	<u>6,253,824</u>	<u>-</u>	<u>923,415</u>	<u>-</u>	<u>1,649</u>	<u>7,178,888</u>
Unassigned						
Reserve for economic uncertainties	2,057,412	-	-	-	-	2,057,412
Total	<u>\$ 12,377,041</u>	<u>\$ 20,187,788</u>	<u>\$ 923,415</u>	<u>\$ 6,458,581</u>	<u>\$ 3,486,328</u>	<u>\$ 43,433,153</u>

Note 12 - Lease Revenues

The District has entered into lease agreements that involve certain District properties and facilities. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. The agreements contain termination clauses providing for cancellation under certain criteria, but it is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2021	\$ 619,216
2022	569,231
2023	571,418
Total	<u>\$ 1,759,865</u>

Note 13 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Southern California Regional Liability Excess Fund (SCR) for property, liability, and excess 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 2019-2020, the District participated in the Western Protected Insurance Program for Schools Joint Powers Authority (PIPS), an insurance purchasing pool. The intent of the PIPS to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. 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 PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the PIPS. Participation in the PIPS is limited to districts that can meet the PIPS's selection criteria.

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California (SISC) and California Schools Voluntary Employee Benefit Association (VEBA) Joint Powers Authority to provide employee health benefits. SISC and VEBA are shared risk pools and rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a District subsequent to the settlement of all expenses and claims if a District withdraws from the pool.

Employee Dental Benefits

The District has contracted with the Orange County Fringe Benefits Joint Powers Authority (OCFB) to provide employee dental benefits.

Employee Vision Benefits

The District has contracted with the Medical Eye Services Joint Powers Authority (MES) to provide employee vision benefits.

Note 14 - Employee Retirement Systems

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

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

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 52,740,148	\$ 13,883,850	\$ 5,299,600	\$ 6,337,462
CalPERS	22,066,753	4,777,319	1,110,336	3,522,009
Total	<u>\$ 74,806,901</u>	<u>\$ 18,661,169</u>	<u>\$ 6,409,936</u>	<u>\$ 9,859,471</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$5,402,751.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 52,740,148
State's proportionate share of net pension liability	28,773,271
	\$ 81,513,419

Huntington Beach City School District

Notes to Financial Statements

June 30, 2020

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0584 percent and 0.0589 percent, respectively, resulting in a net decrease in the proportionate share of 0.0005 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$6,337,462. In addition, the District recognized pension expense and revenue of \$4,284,961 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,402,751	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,677,482	1,781,877
Differences between projected and actual earnings on the pension plan investments	-	2,031,566
Differences between expected and actual experience in the measurement of the total pension liability	133,141	1,486,157
Changes of assumptions	6,670,476	-
Total	\$ 13,883,850	\$ 5,299,600

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (204,918)
2022	(1,612,824)
2023	(334,848)
2024	121,024
Total	\$ (2,031,566)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,427,374
2022	1,427,374
2023	1,537,446
2024	1,194,503
2025	(156,114)
Thereafter	(217,518)
Total	<u>\$ 5,213,065</u>

Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	-3.30%
Cash/liquidity	2%	-0.40%

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%)	\$ 78,534,445
Current discount rate (7.10%)	52,740,148
1% increase (8.10%)	31,351,762

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$2,068,087.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$22,066,753. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0757 percent and 0.0797 percent, respectively, resulting in a net decrease in the proportionate share of 0.0040 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$3,522,009. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,068,087	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	55,854	905,662
Differences between projected and actual earnings on the pension plan investments	-	204,674
Differences between expected and actual experience in the measurement of the total pension liability	1,602,932	-
Changes of assumptions	1,050,446	-
	<u>4,777,319</u>	<u>1,110,336</u>
Total	<u>\$ 4,777,319</u>	<u>\$ 1,110,336</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 202,035
2022	(403,558)
2023	(61,155)
2024	58,004
Total	<u>\$ (204,674)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 1,243,682
2022	509,584
2023	45,731
2024	4,573
Total	<u>\$ 1,803,570</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 20182019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 31,807,774
Current discount rate (7.15%)	22,066,753
1% increase (8.15%)	13,985,904

PARS

Plan Description

The District contributes to the Public Agency Retirement System (PARS), a cost-sharing multiple employer retirement trust. The plan provides retirement benefits to participants not covered by CalSTRS or CalPERS. PARS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PARS annual financial report may be obtained from PARS, P.O. Box 10009, Costa Mesa, California 92627.

Funding Policy

Active plan members contribute 3.75 percent of their salary and the District contributes an equal amount to the plan. Total District contributions for the fiscal year ending June 30, 2020, approximate \$50,090.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,005,460 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements. On-behalf payments related to these additional contributions have been excluded from the calculation of available reserves in the Schedule of Financial Trends and Analysis.

Note 15 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitments	Expected Date of Completion
Dwyer Middle School HVAC	\$ 1,987,941	June 2021
New Middle School	15,953,271	June 2022
District MOT at Kettler	2,288,000	June 2022
EaderElementary Modernization	6,197,748	April 2022
Peterson Elementary Modernization	8,002,264	April 2022
	<u>\$ 34,429,224</u>	

Note 16 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Western Protected Insurance Program for Schools Joint Powers Authority (PIPS), Southern California Regional Liability Excess Fund (SCR), Orange County Fringe Benefits (OCFB), and the Medical Eye Services (MES). The District pays an annual premium to the applicable entity for its health, dental, vision, workers' compensation, and property/liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2020, the District made payments of \$1,122,079 to PIPS, \$661,297 to SCR, and \$542,029 to OCFB, for workers' compensation, property and liability, excess liability, and dental insurance, and \$77,159 to Medical Eye Services for vision insurance.

Note 17 - Subsequent Events

On July 15, 2020, the District issued \$69,850,000 General Obligation Bonds, Election of 2016, Series C. The bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuance of the bonds. The bonds interest payments are due semiannually on February 1 and August 1 of each year, commencing February 1, 2021 with interest rates ranges from 3.00 percent to 4.00 percent.

On August 27, 2020, the District issued Certificates of Participation (2020 Refunding) in the amount of \$12,130,000. The proceeds are being issued to prepay the outstanding 2010 Certificates of Participation and prepay the lease payments due under the Master Equipment Lease-Purchase Agreement and to pay the costs related to the execution and delivery of the Certificates. The interest payments are due semiannually on January 1 and July 1 of each year, commencing January 1, 2021 with interest rates ranging from 0.75 percent to 4.00 percent.

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



Required Supplementary Information
June 30, 2020

Huntington Beach City School District

Huntington Beach City School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 55,622,239	\$ 55,602,205	\$ 55,625,220	\$ 23,015
Federal sources	1,951,978	2,267,822	1,841,432	(426,390)
Other State sources	1,774,682	6,064,999	6,737,828	672,829
Other local sources	4,503,071	5,706,929	5,499,806	(207,123)
Total revenues ¹	<u>63,851,970</u>	<u>69,641,955</u>	<u>69,704,286</u>	<u>62,331</u>
Expenditures				
Current				
Certificated salaries	31,694,352	32,054,875	31,810,678	244,197
Classified salaries	10,567,268	10,752,752	10,575,161	177,591
Employee benefits	15,250,841	18,893,920	19,353,941	(460,021)
Books and supplies	1,274,992	2,437,998	1,633,137	804,861
Services and operating expenditures	4,352,374	4,472,282	4,469,591	2,691
Other outgo	595,286	634,329	626,423	7,906
Capital outlay	83,000	37,574	37,046	528
Debt service				
Debt service - principal	1,131,003	1,361,002	1,361,002	-
Debt service - interest	712,908	545,356	311,926	233,430
Total expenditures ¹	<u>65,662,024</u>	<u>71,190,088</u>	<u>70,178,905</u>	<u>1,011,183</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(1,810,054)</u>	<u>(1,548,133)</u>	<u>(474,619)</u>	<u>1,073,514</u>
Other Financing Uses				
Transfers out	<u>(204,321)</u>	<u>(931,873)</u>	<u>(281,716)</u>	<u>650,157</u>
Net Change in Fund Balance	<u>(2,014,375)</u>	<u>(2,480,006)</u>	<u>(756,335)</u>	<u>1,723,671</u>
Fund Balance - Beginning	<u>13,133,376</u>	<u>13,133,376</u>	<u>13,133,376</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 11,119,001</u>	<u>\$ 10,653,370</u>	<u>\$ 12,377,041</u>	<u>\$ 1,723,671</u>

¹ Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of \$1,008,132 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Huntington Beach City School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 126,194	\$ 891,636	\$ 883,955
Interest	356,602	321,351	264,444
Differences between expected and actual experience	269,383	-	-
Changes of assumptions	934,889	(172,611)	-
Benefit payments	(190,959)	(260,323)	(266,299)
Net change in total OPEB liability	1,496,109	780,053	882,100
Total OPEB Liability - Beginning	8,921,013	8,140,960	7,258,860
Total OPEB Liability - Ending	<u>\$ 10,417,122</u>	<u>\$ 8,921,013</u>	<u>\$ 8,140,960</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as A Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2018	June 30, 2017

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

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

Huntington Beach City School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1033%	0.1058%	0.1056%
Proportionate share of the net OPEB liability	\$ 384,693	\$ 404,946	\$ 444,259
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Huntington Beach City School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.0584%	0.0589%	0.0583%	0.0615%	0.0630%	0.0561%
Proportionate share of the net pension liability	\$ 52,740,148	\$ 54,171,411	\$ 53,941,449	\$ 49,771,103	\$ 42,435,520	\$ 32,779,318
State's proportionate share of the net pension liability	28,773,271	31,015,666	31,911,306	28,333,801	22,443,712	19,793,567
Total	<u>\$ 81,513,419</u>	<u>\$ 85,187,077</u>	<u>\$ 85,852,755</u>	<u>\$ 78,104,904</u>	<u>\$ 64,879,232</u>	<u>\$ 52,572,885</u>
Covered payroll	<u>\$ 31,418,956</u>	<u>\$ 31,523,943</u>	<u>\$ 31,359,324</u>	<u>\$ 31,390,401</u>	<u>\$ 27,487,354</u>	<u>\$ 26,399,360</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>167.86%</u>	<u>171.84%</u>	<u>172.01%</u>	<u>158.56%</u>	<u>154.38%</u>	<u>124.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.0757%	0.0797%	0.0791%	0.0852%	0.0805%	0.0799%
Proportionate share of the net pension liability	\$ 22,066,753	\$ 21,252,307	\$ 18,887,623	\$ 16,822,094	\$ 11,867,270	\$ 9,075,287
Covered payroll	<u>\$ 10,530,506</u>	<u>\$ 11,134,885</u>	<u>\$ 10,093,160</u>	<u>\$ 10,466,776</u>	<u>\$ 8,924,953</u>	<u>\$ 8,482,587</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.55%</u>	<u>190.86%</u>	<u>187.13%</u>	<u>160.72%</u>	<u>132.97%</u>	<u>106.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Huntington Beach City School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 5,402,751	\$ 5,115,006	\$ 4,548,905	\$ 3,945,003	\$ 3,368,190	\$ 2,440,877
Less contributions in relation to the contractually required contribution	<u>(5,402,751)</u>	<u>(5,115,006)</u>	<u>(4,548,905)</u>	<u>(3,945,003)</u>	<u>(3,368,190)</u>	<u>(2,440,877)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 31,595,035</u>	<u>\$ 31,418,956</u>	<u>\$ 31,523,943</u>	<u>\$ 31,359,324</u>	<u>\$ 31,390,401</u>	<u>\$ 27,487,354</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 2,068,087	\$ 1,902,020	\$ 1,729,359	\$ 1,401,738	\$ 1,239,999	\$ 1,050,467
Less contributions in relation to the contractually required contribution	<u>(2,068,087)</u>	<u>(1,902,020)</u>	<u>(1,729,359)</u>	<u>(1,401,738)</u>	<u>(1,239,999)</u>	<u>(1,050,467)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,486,725</u>	<u>\$ 10,530,506</u>	<u>\$ 11,134,885</u>	<u>\$ 10,093,160</u>	<u>\$ 10,466,776</u>	<u>\$ 8,924,953</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United 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.

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

Schedule of 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, the plan's fiduciary net position, and the total OPEB liability. 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 valuation.
- *Changes of Assumptions* – The plan inflation rate assumption was changed from 2.75 percent to 2.25 percent since the previous valuation. The plan salary increases assumption was changed from 2.75 percent to 3.00 percent since the previous valuation. The plan healthcare cost trend rate assumption was changed from 4.00 percent to 6.00 percent valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

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

Schedule of District Contributions

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



Supplementary Information
June 30, 2020

Huntington Beach City School District

Huntington Beach City School District
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through the California Department of Education (CDE)			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 390,033
Title II, Part A, Supporting Effective Instruction	84.367	14341	118,569
Title III, English Learner Student Program	84.365	14346	31,224
Title III, Immigrant Student Program	84.365	15146	6,019
Subtotal			<u>37,243</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	26,673
Special Education Cluster (IDEA)			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,222,777
IDEA Preschool Grants, Part B, Section 619	84.173	13430	45,683
IDEA Preschool Staff Development, Part B, Section 619	84.173A	13431	454
Subtotal Special Education Cluster (IDEA)			<u>1,268,914</u>
Total U.S. Department of Education			<u>1,841,432</u>
U.S. Department of Agriculture			
Passed through the California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	621,565
Basic Breakfast Program	10.553	13390	4,655
Especially Needy Breakfast Program	10.553	13526	119,800
Subtotal Child Nutrition Cluster			<u>746,020</u>
Total U.S. Department of Agriculture			<u>746,020</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,587,452</u></u>

ORGANIZATION

The Huntington Beach School District was established in 1905 and consists of an area comprising approximately 14 square miles. The District operates seven elementary schools and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ann Sullivan	President	2020
Bridget Kaub	Vice President	2020
Paul Morrow, Ed. D	Clerk	2022
Shari Kowalke	Member	2022
Diana Marks	Member	2022

ADMINISTRATION

Gregory Haulk	Superintendent
Cynthia Guerrero	Assistant Superintendent, Educational Services
Patricia Hager	Assistant Superintendent, Human Resources

Huntington Beach City School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2020

	Final Report	
	Amended Second Period Report*	Annual Report
Regular ADA		
Transitional kindergarten through third	2,614.32	2,614.32
Fourth through sixth	2,098.27	2,098.27
Seventh and eighth	1,510.39	1,510.39
Total Regular ADA	6,222.98	6,222.98
Extended Year Special Education		
Transitional kindergarten through third	2.83	2.83
Fourth through sixth	1.52	1.52
Seventh and eighth	0.49	0.49
Total Extended Year Special Education	4.84	4.84
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.91	0.91
Fourth through sixth	1.28	1.28
Seventh and eighth	0.16	0.16
Total Special Education, Nonpublic, Nonsectarian Schools	2.35	2.35
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.33	0.33
Total ADA	6,230.50	6,230.50

*The District amended the Second Period Report on July 8, 2020.

Huntington Beach City School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-87 Minutes Requirement	2019-20 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	45,700	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,460	180	N/A	Complied
Grade 2		50,460	180	N/A	Complied
Grade 3		50,460	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,040	180	N/A	Complied
Grade 5		54,040	180	N/A	Complied
Grade 6		54,000	180	N/A	Complied
Grade 7		54,000	180	N/A	Complied
Grade 8		54,000	180	N/A	Complied

Huntington Beach City School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

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

Huntington Beach City School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	58,644,656	67,916,349	69,363,053	65,374,449
Expenditures	59,347,544	68,555,375	68,861,742	65,825,381
Other uses and transfers out	-	931,872	804,321	863,725
Total expenditures and other uses	59,347,544	69,487,247	69,666,063	66,689,106
Increase (Decrease) in Fund Balance	\$ (702,888)	\$ (1,570,898)	\$ (303,010)	\$ (1,314,657)
Ending Fund Balance	\$ 7,844,599	\$ 8,547,487	\$ 10,118,385	\$ 10,421,395
Available Reserves ²	\$ 1,924,148	\$ 2,057,412	\$ 2,061,811	\$ 1,987,687
Available Reserves as a Percentage of Total Outgo ⁴	3.2%	3.0%	3.1%	3.0%
Long-Term Liabilities	N/A	\$ 203,205,800	\$ 209,996,791	\$ 171,998,710
K-12 Average Daily Attendance at P-2	5,496	6,231	6,422	6,558

The General Fund balance has decreased by \$1,873,908 over the past two years. The fiscal year 2020-2021 budget projects a further decrease of \$702,888 (8.2 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 deficits in all of the past three years and anticipates incurring another operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$31,207,090 over the past two years.

Average daily attendance has decreased by 148 over the past two years. An additional decline of 914 ADA is anticipated during fiscal year 2020-2021.

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

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

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Postemployment Benefits.

⁴ On behalf payments of \$1,008,132 and \$2,802,798 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2020 and 2019, respectively.

<u>Name of Charter School and Charter Number</u>	<u>Included in Audit Report</u>
Kinetic Academy (1812)	No

Huntington Beach City School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues				
Federal sources	\$ -	\$ 746,020	\$ -	\$ -
Other State sources	245,859	42,692	-	-
Other local sources	1,017	713,821	4,809	1,229,020
Total revenues	<u>246,876</u>	<u>1,502,533</u>	<u>4,809</u>	<u>1,229,020</u>
Expenditures				
Current				
Instruction	168,376	-	-	-
Instruction-related activities				
Supervision of instruction	12,169	-	-	-
School site administration	14,307	-	-	-
Pupil services				
Food services	1,548	1,546,072	-	-
All other pupil services	7,104	-	-	-
Administration				
All other administration	12,533	79,143	-	29,140
Plant services	11,836	2,567	-	-
Facility acquisition and construction	-	-	-	181,274
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	<u>227,873</u>	<u>1,627,782</u>	<u>-</u>	<u>210,414</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,003</u>	<u>(125,249)</u>	<u>4,809</u>	<u>1,018,606</u>
Other Financing Sources				
Transfers in	-	125,249	-	-
Net Change in Fund Balances	19,003	-	4,809	1,018,606
Fund Balances - Beginning	-	732,865	253,986	1,378,896
Fund Balances - Ending	<u>\$ 19,003</u>	<u>\$ 732,865</u>	<u>\$ 258,795</u>	<u>\$ 2,397,502</u>

Huntington Beach City School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	COP Capital Projects Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	\$ 4	\$ 78,159	\$ 3,267,536
Receivables	-	-	336,003
Due from other funds	-	-	141,805
Stores inventories	-	-	38,046
Total assets	\$ 4	\$ 78,159	\$ 3,783,390
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 106,365
Due to other funds	-	-	60,454
Unearned revenue	-	-	130,243
Total liabilities	-	-	297,062
Fund Balances			
Nonspendable	-	-	38,546
Restricted	4	78,159	3,446,133
Assigned	-	-	1,649
Total fund balances	4	78,159	3,486,328
Total liabilities and fund balances	\$ 4	\$ 78,159	\$ 3,783,390

Huntington Beach City School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
June 30, 2020

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues				
Federal sources	\$ -	\$ 746,020	\$ -	\$ -
Other State sources	245,859	42,692	-	-
Other local sources	1,017	713,821	4,809	1,229,020
Total revenues	246,876	1,502,533	4,809	1,229,020
Expenditures				
Current				
Instruction	168,376	-	-	-
Instruction-related activities				
Supervision of instruction	12,169	-	-	-
School site administration	14,307	-	-	-
Pupil services				
Food services	1,548	1,546,072	-	-
All other pupil services	7,104	-	-	-
Administration				
All other administration	12,533	79,143	-	29,140
Plant services	11,836	2,567	-	-
Facility acquisition and construction	-	-	-	181,274
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	227,873	1,627,782	-	210,414
Excess (Deficiency) of Revenues Over Expenditures	19,003	(125,249)	4,809	1,018,606
Other Financing Sources				
Transfers in	-	125,249	-	-
Net Change in Fund Balances	19,003	-	4,809	1,018,606
Fund Balances - Beginning	-	732,865	253,986	1,378,896
Fund Balances - Ending	\$ 19,003	\$ 732,865	\$ 258,795	\$ 2,397,502

Huntington Beach City School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
June 30, 2020

	COP Capital Projects Fund	COP Debt Service Fund	Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ -	\$ 746,020
Other State sources	-	-	288,551
Other local sources	-	157,691	2,106,358
Total revenues	-	157,691	3,140,929
Expenditures			
Current			
Instruction	-	-	168,376
Instruction-related activities			
Supervision of instruction	-	-	12,169
School site administration	-	-	14,307
Pupil services			
Food services	-	-	1,547,620
All other pupil services	-	-	7,104
Administration			
All other administration	-	-	120,816
Plant services	-	-	14,403
Facility acquisition and construction	-	-	181,274
Debt service			
Principal	-	125,000	125,000
Interest and other	-	475,841	475,841
Total expenditures	-	600,841	2,666,910
Excess (Deficiency) of Revenues Over Expenditures	-	(443,150)	474,019
Other Financing Sources			
Transfers in	-	156,467	281,716
Net Change in Fund Balances	-	(286,683)	755,735
Fund Balances - Beginning	4	364,842	2,730,593
Fund Balances - Ending	\$ 4	\$ 78,159	\$ 3,486,328

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

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 the 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 64 days due to the pandemic. As a result, the District received credit for these 64 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Annual 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.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District's audit.

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

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



Independent Auditor's Reports
June 30, 2020

Huntington Beach City School District



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

Governing Board
Huntington Beach City School District
Huntington Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huntington Beach City School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 8, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 8, 2021



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

Governing Board
Huntington Beach City School District
Huntington Beach, California

Report on Compliance for The Major Federal Program

We have audited Huntington Beach 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 the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Rancho Cucamonga, California
January 8, 2021



Independent Auditor's Report on State Compliance

Governing Board
Huntington Beach City School District
Huntington Beach, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Compliance Requirements Tested

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

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

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

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

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

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

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

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

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

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

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

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Unmodified Opinion

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

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



Rancho Cucamonga, California
January 8, 2021

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program	CFDA Number
Child Nutrition Cluster	10.553, 10.555
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

None reported.

Huntington Beach City School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

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