



Financial Statements
June 30, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and other required supplementary information on pages 64 through 68, 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 non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major governmental fund financial statements, the Schedule of Expenditures of Federal Awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements, the Schedule of Expenditures of Federal Awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 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.

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

Rancho Cucamonga, California
December 11, 2021



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

The Fund Financial Statements include statements for governmental activities.

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

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

The Primary unit of the government is the 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, deferred outflows, liabilities, and deferred inflows 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.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District's net position decreased at the end of the 2020-2021 fiscal year by \$8,817,862 (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.
- The Board of Trustees revised policy to restrict Inter-district student attendance for the 2020-2021 school year. As a result, the District experienced a significant enrollment decline.
- Due to the COVID 19 Pandemic, the state enacted a hold-harmless provision to continue funding districts based on the 2019-2020 Average Daily Attendance (ADA) for the 2020-2021 school year.
- The District is on the trajectory of becoming a Community Funded district by 2022-2023, 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 an additional 2% starting 2021-2022. With a 7 % reserve, the District will be able to maintain a strong financial position.
- In 2020-2021, the District reopened schools that were closed in March 2020 due to the COVID 19 Pandemic. The District offered in-person and virtual instruction and implemented strategies to address learning loss, and provide social-emotional support, and access to meals for all students. Also, health and safety protocols were put in place to protect students and staff including personal protective equipment and cleaning and disinfecting measures.
- The District received COVID 19 relief funds and spent approximately \$5.3 million to cover the pandemic-related costs.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was deficit \$29.5 million for the fiscal year ended June 30, 2021. Of this amount, \$73.9 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	
	2021	2020 as restated
Assets		
Current and other assets	\$ 108,588,819	\$ 54,079,023
Capital assets	136,966,273	127,588,412
Total assets	<u>245,555,092</u>	<u>181,667,435</u>
Deferred outflows of resources	<u>20,057,883</u>	<u>19,483,140</u>
Liabilities		
Current liabilities	11,091,513	12,114,762
Long-term liabilities	278,732,858	203,205,800
Total liabilities	<u>289,824,371</u>	<u>215,320,562</u>
Deferred inflows of resources	<u>5,334,162</u>	<u>6,557,709</u>
Net Position		
Net investment in capital assets	30,518,424	38,773,565
Restricted	13,835,835	12,456,055
Unrestricted deficit	<u>(73,899,817)</u>	<u>(71,957,316)</u>
Total net position (deficit)	<u><u>\$ (29,545,558)</u></u>	<u><u>\$ (20,727,696)</u></u>

The \$73.9 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 2.7% (\$73.9 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	
	2021	2020*
Revenues		
Program revenues		
Charges for services and sales	\$ 318,559	\$ 1,034,315
Operating grants and contributions	17,109,028	11,216,957
General revenues		
Federal and State aid not restricted	5,557,794	9,902,807
Property taxes	56,899,036	55,966,740
Other general revenues	5,034,184	3,797,260
Total revenues	84,918,601	81,918,079
Expenses		
Instruction-related	61,854,753	60,510,294
Pupil services	4,843,402	5,540,400
Administration	6,611,233	6,395,497
Plant services	13,432,036	9,266,943
All other services	6,995,039	5,394,371
Total expenses	93,736,463	87,107,505
Change in net position	\$ (8,817,862)	\$ (5,189,426)

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was \$93.7 million. However, the amount that was ultimately financed for these activities through local taxes was only \$56.9 million because the cost was paid by those who benefited from the programs (\$0.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$17.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$10.6 million in Federal and 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-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 61,854,753	\$ 60,510,294	\$ 49,237,644	\$ 52,135,300
Pupil services	4,843,402	5,540,400	2,457,480	3,221,714
Administration	6,611,233	6,395,497	6,187,536	6,204,185
Plant services	13,432,036	9,266,943	12,341,759	9,254,131
All other services	6,995,039	5,394,371	6,084,457	4,040,903
Total	\$ 93,736,463	\$ 87,107,505	\$ 76,308,876	\$ 74,856,233

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$99.6 million, which is an increase of \$56.2 million from last year.

Table 4

Governmental Fund	Balances and Activity			June 30, 2021
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General	\$ 12,377,041	\$ 76,655,541	\$ 72,167,138	\$ 16,865,444
Building	20,187,788	70,881,854	21,058,576	70,011,066
Student Activity	22,015	110	2,459	19,666
Child Development	19,003	258,173	235,916	41,260
Cafeteria	732,865	1,233,128	1,333,173	632,820
Deferred Maintenance	258,795	2,474	-	261,269
Capital Facilities	2,397,502	1,473,216	71,603	3,799,115
Special Reserve Fund for Capital Outlay Projects	923,415	1,044,526	201,376	1,766,565
COP Capital Projects Fund	4	-	4	-
Bond Interest and Redemption	6,458,581	8,792,422	9,031,743	6,219,260
COP Debt Service Fund	78,159	12,037,964	12,116,123	-
Total	\$ 43,455,168	\$ 172,379,408	\$ 116,218,111	\$ 99,616,465

The primary reasons for these increases are:

- Our facilities related funds, including Building Fund (Measure Q), Special Reserve fund for Capital Outlay Projects, and Capital Facilities Fund had an overall net increase of \$52.1 million due to completion of and implementation of new Measure Q phase I and II projects.
- The increase in the General Fund was offset by decreases in the Cafeteria and Bond Interest and Redemption Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget and multi-year projections to reflect any changes to revenues and expenditures based on the latest economic indicators and advisories provided by state agencies and the Orange County Department of Education. The final amendment to the budget was adopted on June 22, 2021. (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, 2021, the District had \$137.0 million in a broad range of capital assets, (net of depreciation), including land, construction in progress, buildings, and equipment.

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 73,713,437	\$ 59,787,231
Buildings and improvements	61,909,603	66,221,795
Equipment	1,343,233	1,579,386
Total	<u>\$ 136,966,273</u>	<u>\$ 127,588,412</u>

We present more detailed information about our capital assets in Note 4 to the financial statements. In 2021-2022 school year, the District will complete modernization at Seaclyff Elementary School, continue with the second phase of modernization at Eader Elementary and Peterson Elementary and initiate the pre-construction phase of Sowers Middle School.

Long-Term Liabilities

At the end of this year, the District had \$278.7 million in long-term liabilities outstanding versus \$203.2 million last year, an increase of 37.2%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 161,751,079	\$ 95,796,360
Unamortized premiums	6,074,737	3,220,737
Certificates of participation	11,730,000	6,470,000
Unamortized discounts	(85,900)	-
Lease purchase agreement	4,867,167	5,371,386
Capital leases	-	5,071,553
Compensated absences	614,113	472,058
Supplemental employee retirement plan	796,660	1,194,990
Aggregate net OPEB liabilities	13,534,929	10,801,815
Aggregate net pension liabilities	79,450,073	74,806,901
Total	<u>\$ 278,732,858</u>	<u>\$ 203,205,800</u>

We present more detailed information regarding our long-term liabilities in Note 8, Note 9, and Note 13 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 \$161.7 million is significantly below this statutorily-imposed limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Conditions in California

According to the Legislative Analyst Office Forecast, the State's fiscal position will remain strong into 2022-2023 and continue with more modest prosperity over its four-year forecast. The historic surplus in 2022-2023 is due to robust retail sales, booming stock market, and projected decrease in state spending obligations. While this is welcome news, the LAO reminds us that the State has a spending limit, which will constrain its choices on spending the influx of revenues. Depending on how the State chooses to allocate these revenues, K-12 schools and community colleges could receive additional one-time payments, and the minimum guarantee under Proposition 98 is expected to increase as well. It is important to note that the minimum guarantee is increasing mainly due to growth in state General Fund revenues. However, it will also grow to accommodate the additional transitional kindergarten students because of the recently enacted Universal TK program. The revised 2022-2023 COLA is estimated to be 5.35%. The significant increase reflects the spike in inflation caused by continued robust consumer demand and limited supplies due to disruptions in the supply chain.

Although these are good news for education, the impact on HBCSD's financial position is unknown. It will depend on how the State allocates the funds and if the state funding outpaces the property tax estimated growth projected at 4%. The Administration will continue to monitor state and property tax revenues as the District is projected to transition from State to community-funded status in 2022-2023.

Considering the stakeholder input through surveys and engagement process to develop the LCAP, the Expanded Learning & Opportunities Plan as well as the ESSER III Plan, the District is assessing and establishing priorities to provide high-quality education to our students while maintaining fiscal solvency.

Our 2021-2022 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 2021-2022:

- Average Daily Attendance (ADA) is based on assumption of 4,905 due to a decrease in our enrollment because of continuing declining enrollment in Orange County and exacerbated by the impact of the COVID 19 pandemic and the restrictions to inter-district transfers implemented by the District.
- Projections for LCFF funding are based on estimates provided the State of California, Department of Finance.

As part of the Expanded Learning Opportunity Plan, the District implemented the following district-wide class size reduction initiative for the 2021-2022 school year to mitigate learning loss and provide additional supports to students:

Grades Kindergarten through fifth	23:1
Grades sixth through eight	27:1

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, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 102,554,285
Receivables	5,957,948
Stores inventories	76,586
Capital assets not depreciated	73,713,437
Capital assets, net of accumulated depreciation	63,252,836
Total assets	245,555,092
Deferred Outflows of Resources	
Deferred charge on refunding	191,048
Deferred outflows of resources related to OPEB	2,831,894
Deferred outflows of resources related to pensions	17,034,941
Total deferred outflows of resources	20,057,883
Liabilities	
Accounts payable	7,494,902
Interest payable	2,119,159
Unearned revenue	1,477,452
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,730,194
Long-term liabilities other than OPEB and pensions due in more than one year	183,017,662
Aggregate net OPEB liabilities	13,534,929
Aggregate net pension liabilities	79,450,073
Total liabilities	289,824,371
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	609,490
Deferred inflows of resources related to pensions	4,724,672
Total deferred inflows of resources	5,334,162
Net Position	
Net investment in capital assets	30,518,424
Restricted for	
Debt service	4,100,101
Capital projects	3,792,322
Educational programs	5,037,110
Other restrictions	906,302
Unrestricted deficit	(73,899,817)
Total net position (deficit)	\$ (29,545,558)

Huntington Beach City School District
Statement of Activities
Year Ended June 30, 2021

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	\$ 54,024,136	\$ 7,568	\$ 11,236,305	\$(42,780,263)
Instruction-related activities				
Supervision of instruction	2,457,065	3,466	751,131	(1,702,468)
Instructional library, media, and technology	667,145	-	-	(667,145)
School site administration	4,706,407	-	618,639	(4,087,768)
Pupil services				
Home-to-school transportation	1,100,879	-	104,004	(996,875)
Food services	1,519,768	19,496	1,192,541	(307,731)
All other pupil services	2,222,755	-	1,069,881	(1,152,874)
Administration				
Data processing	1,382,194	-	-	(1,382,194)
All other administration	5,229,039	2,456	421,241	(4,805,342)
Plant services	13,432,036	-	1,090,277	(12,341,759)
Ancillary services	11,727	-	22,125	10,398
Community services	7,662	-	-	(7,662)
Interest on long-term liabilities	6,505,713	-	-	(6,505,713)
Other outgo	469,937	285,573	602,884	418,520
Total governmental activities	<u>\$ 93,736,463</u>	<u>\$ 318,559</u>	<u>\$ 17,109,028</u>	<u>(76,308,876)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				49,884,087
Property taxes, levied for debt service				5,841,227
Taxes levied for other specific purposes				1,173,722
Federal and State aid not restricted to specific purposes				5,557,794
Interest and investment earnings				934,352
Interagency revenues				23,915
Miscellaneous				4,075,917
Subtotal, general revenues and subventions				<u>67,491,014</u>
Change in Net Position				(8,817,862)
Net Position (Deficit) - Beginning, as restated				<u>(20,727,696)</u>
Net Position (Deficit) - Ending				<u><u>\$(29,545,558)</u></u>

Huntington Beach City School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 17,101,851	\$ 72,623,238	\$ 12,829,196	\$ 102,554,285
Receivables	5,657,181	35,377	265,390	5,957,948
Due from other funds	43,788	-	467	44,255
Stores inventories	28,373	-	48,213	76,586
	<u>\$ 22,831,193</u>	<u>\$ 72,658,615</u>	<u>\$ 13,143,266</u>	<u>\$ 121,776,340</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,590,858	\$ 2,647,549	\$ 256,495	\$ 7,494,902
Due to other funds	467	-	43,788	44,255
Unearned revenue	1,374,424	-	103,028	1,477,452
	<u>5,965,749</u>	<u>2,647,549</u>	<u>403,311</u>	<u>9,419,920</u>
Fund Balances				
Nonspendable	43,373	-	48,713	92,086
Restricted	5,037,110	70,011,066	10,917,884	85,966,060
Assigned	8,325,266	-	1,773,358	10,098,624
Unassigned	3,459,695	-	-	3,459,695
	<u>16,865,444</u>	<u>70,011,066</u>	<u>12,739,955</u>	<u>99,616,465</u>
	<u>\$ 22,831,193</u>	<u>\$ 72,658,615</u>	<u>\$ 13,143,266</u>	<u>\$ 121,776,340</u>

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

Total Fund Balance - Governmental Funds		\$ 99,616,465
Amounts Reported for Governmental Activities in the		
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	\$ 224,209,258	
Accumulated depreciation is	<u>(87,242,985)</u>	
Net capital assets		136,966,273
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.		
		(2,119,159)
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:		
Debt refunding (deferred charge on refunding)	191,048	
Aggregate net other postemployment benefits (OPEB)	2,831,894	
Aggregate net pension liabilities	<u>17,034,941</u>	
Total deferred outflows of resources		20,057,883
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 (OPEB)	(609,490)	
Aggregate net pension liabilities	<u>(4,724,672)</u>	
Total deferred inflows of resources		(5,334,162)
Aggregate net pension liabilities is not due and payable in the current period, and is not reported as a liability in the funds.		
		(79,450,073)
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.		
		(13,534,929)
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 (including premiums)	(160,138,696)	
Certificates of participation (including discount)	(11,644,100)	
Lease purchase agreements	(4,867,167)	
Compensated absences	(614,113)	
Supplemental employee retirement plan	(796,660)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(7,687,120)</u>	
Total long-term liabilities		<u>(185,747,856)</u>
Total net position - governmental activities		<u>\$ (29,545,558)</u>

Huntington Beach City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 53,966,006	\$ -	\$ -	\$ 53,966,006
Federal sources	5,495,116	-	1,100,049	6,595,165
Other State sources	8,928,278	-	383,892	9,312,170
Other local sources	5,095,845	737,885	8,013,383	13,847,113
Total revenues	<u>73,485,245</u>	<u>737,885</u>	<u>9,497,324</u>	<u>83,720,454</u>
Expenditures				
Current				
Instruction	45,802,867	-	184,175	45,987,042
Instruction-related activities				
Supervision of instruction	2,082,984	-	18,287	2,101,271
Instructional library, media, and technology	570,573	-	-	570,573
School site administration	4,037,199	-	1,517	4,038,716
Pupil services				
Home-to-school transportation	994,209	-	-	994,209
Food services	43,985	-	1,267,401	1,311,386
All other pupil services	2,139,264	-	1,039	2,140,303
Administration				
Data processing	1,007,974	-	-	1,007,974
All other administration	4,737,110	-	97,404	4,834,514
Plant services	6,014,215	-	16,056	6,030,271
Ancillary services	9,268	-	2,459	11,727
Community services	7,227	-	-	7,227
Other outgo	469,937	-	-	469,937
Facility acquisition and construction	-	20,539,139	253,406	20,792,545
Debt service				
Principal	924,966	-	4,655,000	5,579,966
Interest and other	233,227	519,437	4,671,243	5,423,907
Total expenditures	<u>69,075,005</u>	<u>21,058,576</u>	<u>11,167,987</u>	<u>101,301,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,410,240</u>	<u>(20,320,691)</u>	<u>(1,670,663)</u>	<u>(17,581,114)</u>
Other Financing Sources (Uses)				
Transfers in	78,163	-	-	78,163
Other sources - proceeds from general obligation bond issuance	-	70,143,969	2,906,725	73,050,694
Other sources - proceeds from certificates of participation and lease purchase agreement	3,092,133	-	12,037,964	15,130,097
Other sources - land purchase agreement	-	-	400,000	400,000
Transfers out	-	-	(78,163)	(78,163)
Other uses - refunding of certificates of participation and lease purchase agreement	(3,092,133)	-	(11,746,247)	(14,838,380)
Net Financing Sources (Uses)	<u>78,163</u>	<u>70,143,969</u>	<u>3,520,279</u>	<u>73,742,411</u>
Net Change in Fund Balances	4,488,403	49,823,278	1,849,616	56,161,297
Fund Balance - Beginning, as restated	<u>12,377,041</u>	<u>20,187,788</u>	<u>10,890,339</u>	<u>43,455,168</u>
Fund Balance - Ending	<u>\$ 16,865,444</u>	<u>\$ 70,011,066</u>	<u>\$ 12,739,955</u>	<u>\$ 99,616,465</u>

See Notes to Financial Statements

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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 56,161,297

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	16,940,546
Depreciation expense	<u>\$ (7,465,165)</u>

Net expense adjustment	9,475,381
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (97,520)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental employee retirement plan (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 vacations earned and used, and SERP paid and issued. 256,275

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. (4,584,136)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (1,184,908)

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, 2021

Proceeds received from General obligation bonds or certificates of participation is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ (69,850,000)
Certificates of participation	(12,130,000)
Lease purchase agreement	(3,092,133)

Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.

204,694

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

Premium on issuance recognized	(3,200,694)
Discount on issuance recognized	92,036
Premium amortization	346,694
Discount amortization	(6,136)
Deferred charge on refunding amortization	(13,646)

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	4,655,000
Certificates of participation	6,870,000
Lease purchase agreement	3,596,352
Capital leases	5,071,553

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.

(628,252)

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

(759,719)

Change in net position of governmental activities

\$ (8,817,862)

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 six 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.

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 of \$4,056,588.

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.

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).
- **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.

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program 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.

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, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

The District's investment in the County Treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

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 Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 201.

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 0.004 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 deferred charges on refunding of debt, for pension related items, and OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 District plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District plan and the MPP. For this purpose, the District plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The 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, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 5% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$13,835,835 of restricted net position restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements and this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District’s student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position (deficit) is disclosed in Note 16.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	<u><u>\$ 102,554,285</u></u>
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Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 19,666
Cash in revolving	15,500
Investments	<u>102,519,119</u>
Total deposits and investments	<u><u>\$ 102,554,285</u></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.

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. The District maintains an investment of \$102,519,119 with the Orange County Educational Investment Pool, with an average weighted maturity of 375 days.

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 as of June 30, 2021.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District did not have any bank balance exposed to custodial credit risk.

Note 3 - Receivables

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 2,474,124	\$ -	\$ 166,169	\$ 2,640,293
State Government				
LCFF apportionment	277,166	-	-	277,166
Categorical aid	2,332,662	-	66,634	2,399,296
Lottery	430,830	-	-	430,830
Local Government				
Interest	9,764	35,377	7,814	52,955
Other local sources	132,635	-	24,773	157,408
Total	\$ 5,657,181	\$ 35,377	\$ 265,390	\$ 5,957,948

Note 4 - Capital Assets

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

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 25,374,763	\$ -	\$ -	\$ 25,374,763
Construction in progress	34,412,468	13,926,206	-	48,338,674
Total capital assets not being depreciated	59,787,231	13,926,206	-	73,713,437
Capital assets being depreciated				
Land improvements	5,318,009	-	-	5,318,009
Buildings and improvements	135,686,681	2,859,114	50,406	138,495,389
Furniture and equipment	7,908,755	155,226	1,381,558	6,682,423
Total capital assets being depreciated	148,913,445	3,014,340	1,431,964	150,495,821
Total capital assets	208,700,676	16,940,546	1,431,964	224,209,258
Accumulated depreciation				
Land improvements	(3,881,916)	(178,322)	-	(4,060,238)
Buildings and improvements	(70,900,979)	(6,968,514)	(25,936)	(77,843,557)
Furniture and equipment	(6,329,369)	(318,329)	(1,308,508)	(5,339,190)
Total accumulated depreciation	(81,112,264)	(7,465,165)	(1,334,444)	(87,242,985)
Governmental activities capital assets, net	\$ 127,588,412	\$ 9,475,381	\$ 97,520	\$ 136,966,273

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 3,250,867
Supervision of instruction	172,225
Instructional library, media, and technology	38,225
School site administration	273,538
Home-to-school transportation	54,511
Food services	109,484
All other pupil services	173,787
Data processing	62,882
All other administration	336,352
Plant services	<u>2,993,294</u>
Total depreciation expenses governmental activities	<u><u>\$ 7,465,165</u></u>

Note 5 - 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, 2021, between major and non-major governmental funds are as follows:

Due To	Due From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 43,788	\$ 43,788
Non-Major Governmental Funds	<u>467</u>	<u>-</u>	<u>467</u>
Total	<u><u>\$ 467</u></u>	<u><u>\$ 43,788</u></u>	<u><u>\$ 44,255</u></u>

A balance of \$467 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for reimbursement of operating expenditures.	\$ 467
A balance of \$11,400 is due to the General Fund from the Child Development Non-Major Governmental Fund for reimbursement for operating expenditures.	11,400
A balance of \$32,388 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of operating expenditures.	<u>32,388</u>
Total	<u>\$ 44,255</u>

Operating Transfers

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

<u>Transfer To</u>	<u>Transfer From Non-Major Governmental Funds</u>
General Fund	<u>\$ 78,163</u>
The COP Capital Projects Non-Major Governmental Fund transferred to the General Fund due to account closures related to COPs.	\$ 4
The COP Debt Service Non-Major Governmental Fund transferred to the General Fund due to account closures related to COPs.	78,159
Total	<u>\$ 78,163</u>

Note 6 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Salaries and benefits	\$ 2,072,962	\$ -	\$ 137,105	\$ 2,210,067
LCFF apportionment	514,975	-	-	514,975
Construction	-	2,647,549	-	2,647,549
Due to SELPA	322,000	-	-	322,000
Due to Kinetic Academy	267,475	-	-	267,475
Other vendor payables	1,413,446	-	119,390	1,532,836
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,590,858</u>	<u>\$ 2,647,549</u>	<u>\$ 256,495</u>	<u>\$ 7,494,902</u>

Note 7 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Federal financial assistance	\$ 353,258	\$ -	\$ 353,258
State categorical aid	581,701	17,206	598,907
Other local	439,465	85,822	525,287
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,374,424</u>	<u>\$ 103,028</u>	<u>\$ 1,477,452</u>

Note 8 - 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 01, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 95,796,360	\$ 70,609,719	\$ 4,655,000	\$161,751,079	\$ 2,425,000
Unamortized premiums	3,220,737	3,200,694	346,694	6,074,737	-
Certificates of participation	6,470,000	12,130,000	6,870,000	11,730,000	-
Unamortized discount	-	(92,036)	6,136	(85,900)	-
Lease purchase agreement	5,371,386	3,092,133	3,596,352	4,867,167	305,194
Capital leases	5,071,553	-	5,071,553	-	-
Compensated absences	472,058	142,055	-	614,113	-
Supplemental employee retirement plan	1,194,990	-	398,330	796,660	-
Total	\$117,597,084	\$ 89,082,565	\$ 20,944,065	\$185,747,856	\$ 2,730,194

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 and General 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 employee retirement plan is paid from the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Bonds Issued	Interest Accreted	Bonds Redeemed	Bonds Outstanding June 30, 2021
5/5/2002	2027	8.40%	\$ 19,995,023	\$ 3,981,340	\$ -	\$ 341,467	\$ -	\$ 4,322,807
7/24/2003	2029	7.39%	10,003,939	5,555,020	-	418,252	-	5,973,272
8/14/2014	2022	2.00-5.00%	565,000	225,000	-	-	195,000	30,000
8/14/2014	2022	3.00-5.00%	9,245,000	3,655,000	-	-	3,150,000	505,000
5/9/2017	2047	3.00-5.00%	50,000,000	42,380,000	-	-	1,310,000	41,070,000
1/9/2019	2049	3.00-5.00%	40,000,000	40,000,000	-	-	-	40,000,000
7/1/2020	2050	3.00-4.00%	69,850,000	-	69,850,000	-	-	69,850,000
				\$ 95,796,360	\$ 69,850,000	\$ 759,719	\$ 4,655,000	\$161,751,079

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%. At June 30, 2021, the outstanding principal on the bonds amounted to \$4,322,807, 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%. At June 30, 2021, the outstanding principal on the bonds amounted to \$5,973,272, 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%. At June 30, 2021, the outstanding principal on the bonds amounted to \$30,000. Unamortized premium received on issuance of the bonds amount to \$7,094 as of June 30, 2021.

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%. At June 30, 2021, the outstanding principal on the bonds amounted to \$505,000. Unamortized premium received on issuance of the bonds amount to \$125,679 as of June 30, 2021.

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%. At June 30, 2021, the outstanding principal on the bonds amounted to \$41,070,000. Unamortized premium received on issuance on the bonds amount to \$1,756,502 as of June 30, 2021.

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%. At June 30, 2021, the outstanding principal on the bonds amounted to \$40,000,000. Unamortized premium received on issuance on the bonds amount to \$1,091,458 as of June 30, 2021.

2016 General Obligation Bonds, Series C

In July 2020, the District issued General Obligation, Series C in the amount of \$69,850,000. The bonds were voter approved in November 2016 to finance repairs, renovations, and construction of STEM labs. The bonds mature through 2050. Interest rates on the bonds range from 3.0 to 4.0%. At June 30, 2021, the outstanding principal on the bonds amounted to \$69,850,000. Unamortized premium received on issuance on the bonds amount to \$3,094,004 as of June 30, 2021.

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	\$ 1,522,013	\$ 507,987	\$ 2,030,000
2026	1,439,776	645,224	2,085,000
2027	1,361,018	778,982	2,140,000
Total	<u>\$ 4,322,807</u>	<u>\$ 1,932,193</u>	<u>\$ 6,255,000</u>

Huntington Beach City School District

Notes to Financial Statements

June 30, 2021

2003 Series A

Fiscal Year	Principal (Including Accreted Interest to Date)	Unmatured Accreted Interest	Total
2025	\$ 876,059	\$ 253,408	\$ 1,129,467
2026	858,653	331,723	1,190,376
2027-2029	4,238,560	2,606,526	6,845,086
Total	\$ 5,973,272	\$ 3,191,657	\$ 9,164,929

2014A Refunding

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 30,000	\$ 300	\$ 30,300

2015A Refunding

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 505,000	\$ 10,100	\$ 515,100

2016 Series A

Fiscal Year	Principal	Current Interest to Maturity	Total
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	-	1,628,882	1,628,882
2027-2031	4,040,000	7,662,160	11,702,160
2032-2036	6,480,000	6,565,083	13,045,083
2037-2041	10,575,000	4,859,275	15,434,275
2042-2046	16,005,000	2,280,522	18,285,522
2047	3,970,000	71,956	4,041,956
Total	\$ 41,070,000	\$ 29,583,406	\$ 70,653,406

Huntington Beach City School District

Notes to Financial Statements

June 30, 2021

2016 Series B

Fiscal Year	Principal	Current Interest to Maturity	Total
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	270,000	1,528,400	1,798,400
2027-2031	2,555,000	7,394,100	9,949,100
2032-2036	5,070,000	6,687,863	11,757,863
2037-2041	8,315,000	5,559,831	13,874,831
2042-2046	12,890,000	3,485,000	16,375,000
2047-2049	10,555,000	654,500	11,209,500
Total	<u>\$ 40,000,000</u>	<u>\$ 31,487,594</u>	<u>\$ 71,487,594</u>

2016 Series C

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 1,890,000	\$ 1,950,900	\$ 3,840,900
2023	980,000	1,893,500	2,873,500
2024	140,000	1,871,100	2,011,100
2025	385,000	1,860,600	2,245,600
2026	540,000	1,842,100	2,382,100
2027-2031	1,980,000	9,024,700	11,004,700
2032-2036	5,895,000	8,234,000	14,129,000
2037-2041	10,355,000	6,864,125	17,219,125
2042-2046	15,955,000	5,031,825	20,986,825
2047-2050	31,730,000	1,890,375	33,620,375
Total	<u>\$ 69,850,000</u>	<u>\$ 40,463,225</u>	<u>\$ 110,313,225</u>

Certificates of Participation

In July 2020, the Huntington Beach City School District Financing Corporation issued Certificates of Participation in the amount of \$12,130,000 with interest ranging from 0.75% to 4.00%. The proceeds of the issuance were used to refund the 2010 Certificates of Participation and Capital Lease. At June 30, 2021, the outstanding principal on the certificates of participation amounted to \$11,730,000. Unamortized discount received on issuance on the certificates of participation amount to \$85,900 as of June 30, 2021.

The certificates mature through 2036 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2022	\$ -	\$ 87,181	\$ 87,181
2023	745,000	159,463	904,463
2024	805,000	141,544	946,544
2025	840,000	135,375	975,375
2026	885,000	128,353	1,013,353
2027-2031	4,940,000	495,372	5,435,372
2032-2036	3,515,000	181,406	3,696,406
Total	<u>\$ 11,730,000</u>	<u>\$ 1,328,694</u>	<u>\$ 13,058,694</u>

Lease/Purchase Agreement

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, 2021, the principal balance outstanding is \$2,065,000. The lease/purchase agreement matures through 2030 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2022	\$ 115,000	\$ 21,683	\$ 136,683
2023	240,000	39,690	279,690
2024	250,000	34,598	284,598
2025	255,000	29,348	284,348
2026	260,000	23,939	283,939
2027-2030	945,000	40,213	985,213
Total	<u>\$ 2,065,000</u>	<u>\$ 189,471</u>	<u>\$ 2,254,471</u>

In July 2020, the District entered into a lease/purchase agreement in the amount of \$3,092,133 to refinance the 2012 lease/purchase agreement by prepaying the outstanding lease/purchase agreement. 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 2012 lease/purchase agreement.

As of June 30, 2021, the principal balance outstanding is \$2,802,167. The lease/purchase agreement matures through 2029 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2022	\$ 190,194	\$ 26,621	\$ 216,815
2023	381,376	47,827	429,203
2024	386,738	40,565	427,303
2025	396,343	33,182	429,525
2026	404,932	25,596	430,528
2027-2029	1,042,584	29,866	1,072,450
Total	<u>\$ 2,802,167</u>	<u>\$ 203,657</u>	<u>\$ 3,005,824</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$614,113.

Supplemental Employee Retirement Plan

On March 12, 2019, the District elected to provide a voluntary employee retirement plan 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%) 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, 2021, the outstanding balance of the supplemental employee retirement plan was \$796,660. Payments will be made according to the agreement as follows:

Year Ending June 30,	Total
2022	\$ 398,330
2023	398,330
Total	<u>\$ 796,660</u>

Note 9 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

The details of each plan are as follows:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 13,096,681	\$ 2,831,894	\$ 609,490	\$ 1,131,353
Medicare Premium Payment (MPP) Program	438,248	-	-	53,555
Total	<u>\$ 13,534,929</u>	<u>\$ 2,831,894</u>	<u>\$ 609,490</u>	<u>\$ 1,184,908</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, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	33
Active employees	<u>392</u>
Total	<u><u>425</u></u>

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 the measurement period of June 30, 2021, the District paid \$168,809 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$13,096,681 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	2.75 percent
Discount rate	2.16 percent, net of investment expense
Healthcare cost trend rates	4.00 percent

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2020	\$ 10,417,122
Service cost	586,544
Interest	264,580
Differences between expected and actual experience	1,123,200
Changes of assumptions	874,044
Benefit payments	(168,809)
Net change in total OPEB liability	2,679,559
Balance, June 30, 2021	\$ 13,096,681

There were no changes in the benefit terms since the previous valuations. The inflation rate increased from 2.25% to 2.50% since the previous valuation. The salary assumptions rates decreased from 3.00% to 2.75% since the previous valuation. The discount rate decreased from 3.80% to 2.16% 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 (1.16%)	\$ 13,952,183
Current discount rate (2.16%)	13,096,681
1% increase (3.16%)	12,264,994

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	\$ 11,645,353
Current healthcare cost trend rate (4.00%)	13,096,681
1% increase (5.00%)	14,796,607

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

At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,279,108	\$ -
Changes of assumptions	1,552,786	609,490
	<u> </u>	<u> </u>
Total	<u>\$ 2,831,894</u>	<u>\$ 609,490</u>

The deferred outflows/(inflows) of resources 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 12.1 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
<u> </u>	<u> </u>
2022	\$ 328,473
2023	328,473
2024	328,473
2025	328,473
2026	328,473
Thereafter	580,039
	<u> </u>
Total	<u>\$ 2,222,404</u>

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, 2019 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, 2021, the District reported a liability of \$438,248 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, was 0.1034% and 0.1033%, resulting in a net increase in the proportionate share of 0.0001%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$53,555.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	June 30, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

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

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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 484,605
Current discount rate (2.21%)	438,248
1% increase (3.31%)	398,801

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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 397,374
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	438,248
1% increase (5.50% Part A and 6.40% Part B)	485,301

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 15,000	\$ -	\$ 500	\$ 15,500
Stores inventories	28,373	-	48,213	76,586
Total nonspendable	43,373	-	48,713	92,086
Restricted				
Legally restricted programs	5,037,110	-	906,302	5,943,412
Capital projects	-	70,011,066	3,792,322	73,803,388
Debt services	-	-	6,219,260	6,219,260
Total restricted	5,037,110	70,011,066	10,917,884	85,966,060
Assigned				
Capital projects	-	-	1,773,358	1,773,358
Postemployment benefits	4,056,588	-	-	4,056,588
Supplemental grant funds	474,113	-	-	474,113
Reserved for declining enrollment	1,500,000	-	-	1,500,000
Other assignments	2,294,565	-	-	2,294,565
Total assigned	8,325,266	-	1,773,358	10,098,624
Unassigned				
Reserve for economic uncertainties	3,459,695	-	-	3,459,695
Total	\$ 16,865,444	\$ 70,011,066	\$ 12,739,955	\$ 99,616,465

Note 11 - 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 Payment
2022	\$ 569,231
2023	571,418
Total	<u>\$ 1,140,649</u>

Note 12 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, 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 2020-2021, 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 13 - Employee Retirement Systems

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

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

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 57,514,368	\$ 13,379,973	\$ 2,990,138	\$ 7,768,498
CalPERS	21,935,705	3,654,968	1,734,534	3,617,527
Total	<u>\$ 79,450,073</u>	<u>\$ 17,034,941</u>	<u>\$ 4,724,672</u>	<u>\$ 11,386,025</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$4,795,863.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 57,514,368
State's proportionate share of the net pension liability	29,648,664
	<u>87,163,032</u>
Total	<u>\$ 87,163,032</u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0593% and 0.0584%, respectively, resulting in a net increase in the proportionate share of 0.0009%.

Huntington Beach City School District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$7,764,498. In addition, the District recognized pension expense and revenue of \$4,153,487 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,795,863	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,507,946	1,368,134
Differences between projected and actual earnings on pension plan investments	1,366,211	-
Differences between expected and actual experience in the measurement of the total pension liability	101,487	1,622,004
Changes of assumptions	5,608,466	-
Total	<u>\$ 13,379,973</u>	<u>\$ 2,990,138</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>
2022	\$ (833,653)
2023	465,494
2024	928,711
2025	805,659
Total	<u>\$ 1,366,211</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 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,511,320
2023	1,624,084
2024	1,282,587
2025	(95,954)
2026	(157,146)
Thereafter	62,870
Total	<u>\$ 4,227,761</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) 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%)	\$ 86,896,199
Current discount rate (7.10%)	57,514,368
1% increase (8.10%)	33,255,529

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<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	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$2,002,026.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,935,705. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0715% and 0.0757%, respectively, resulting in a net decrease in the proportionate share of 0.0042%.

For the year ended June 30, 2021, the District recognized pension expense of \$3,617,527. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,002,026	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	27,927	1,734,534
Differences between projected and actual earnings on pension plan investments	456,632	-
Differences between expected and actual experience in the measurement of the total pension liability	1,087,944	-
Changes of assumptions	80,439	-
	<u>3,654,968</u>	<u>1,734,534</u>
Total	<u>\$ 3,654,968</u>	<u>\$ 1,734,534</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (170,881)
2023	152,420
2024	264,930
2025	210,163
Total	<u>\$ 456,632</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 134,229
2023	(305,302)
2024	(333,489)
2025	(33,662)
Total	<u>\$ (538,224)</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 31,536,577
Current discount rate (7.15%)	21,935,705
1% increase (8.15%)	13,967,464

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% of their salary and the District contributes an equal amount to the plan. Total District contributions for the fiscal year ending June 30, 2021, approximate \$66,887.

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 \$3,355,340 (10.328% 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.

Note 14 - Commitments and Contingencies**Grants**

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

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, 2021.

Construction Commitments

As of June 30, 2021, the District had approximately \$56.3 million in commitments with respect to the unfinished capital projects.

Note 15 - 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, 2021, the District made payments of \$1,075,922 to PIPS, \$833,127 to SCR, and \$492,292 to OCFB, for workers' compensation, property and liability, excess liability, and dental insurance, and \$77,159 to Medical Eye Services for vision insurance.

Note 16 - Restatement of Prior Year Net Position (Deficit) and Fund Balance

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

	Non-Major Governmental Funds	Total Governmental Funds
Beginning fund balance previously reported at June 30, 2020	\$ 10,868,324	\$ 43,433,153
Prior period adjustment - Implementation of GASB 84		
Reclassification of student activity fund from agency funds to a special revenue fund	22,015	22,015
Fund Balance Restated at July 1, 2020	<u>\$ 10,890,339</u>	<u>\$ 43,455,168</u>

The restatement of net position (deficit) is as follows:

Governmental Activities

Beginning Net Position (Deficit) Governmental Activities as Previously Reported Reported at June 30, 2020	\$ (20,749,711)
Reclassification of student activity fund from agency funds to a special revenue fund	22,015
Net Position (Deficit) Restated at July 1, 2020	<u>\$ (20,727,696)</u>



Required Supplementary Information
June 30, 2021

Huntington Beach City School District

Huntington Beach City School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 50,596,653	\$ 53,965,882	\$ 53,966,006	\$ 124
Federal sources	1,784,745	6,666,145	5,495,116	(1,171,029)
Other State sources	1,582,561	9,330,429	8,928,278	(402,151)
Other local sources	4,688,197	5,208,336	5,095,845	(112,491)
Total revenues ¹	<u>58,652,156</u>	<u>75,170,792</u>	<u>73,485,245</u>	<u>(1,685,547)</u>
Expenditures				
Current				
Certificated salaries	28,025,745	31,148,668	30,580,992	567,676
Classified salaries	9,445,235	10,165,936	10,120,786	45,150
Employee benefits	13,348,263	18,024,324	17,859,275	165,049
Books and supplies	1,352,181	4,430,585	3,535,667	894,918
Services and operating expenditures	4,383,568	5,425,169	5,248,487	176,682
Other outgo	631,493	400,986	384,014	16,972
Capital outlay	-	221,544	187,591	33,953
Debt service				
Debt service - principal	1,436,225	846,226	924,966	(78,740)
Debt service - interest and other	724,834	261,956	233,227	28,729
Total expenditures ¹	<u>59,347,544</u>	<u>70,925,394</u>	<u>69,075,005</u>	<u>1,850,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(695,388)</u>	<u>4,245,398</u>	<u>4,410,240</u>	<u>164,842</u>
Other Financing Sources (Uses)				
Transfers in	-	345,205	78,163	(267,042)
Other sources - lease purchase agreement	-	-	3,092,133	3,092,133
Transfers out	-	-	-	-
Other uses - lease purchase agreement	-	-	(3,092,133)	(3,092,133)
Net financing sources (uses)	<u>-</u>	<u>345,205</u>	<u>78,163</u>	<u>(267,042)</u>
Net Change in Fund Balances	(695,388)	4,590,603	4,488,403	(102,200)
Fund Balance - Beginning	12,377,041	12,377,041	12,377,041	-
Fund Balance - Ending	<u>\$ 11,681,653</u>	<u>\$ 16,967,644</u>	<u>\$ 16,865,444</u>	<u>\$ (102,200)</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.

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 586,544	\$ 126,194	\$ 891,636	\$ 883,955
Interest	264,580	356,602	321,351	264,444
Difference between expected and actual experience	1,123,200	269,383	-	-
Changes of assumptions	874,044	934,889	(172,611)	-
Benefit payments	(168,809)	(190,959)	(260,323)	(266,299)
Net change in total OPEB liability	2,679,559	1,496,109	780,053	882,100
Total OPEB Liability - Beginning	10,417,122	8,921,013	8,140,960	7,258,860
Total OPEB Liability - Ending	<u>\$ 13,096,681</u>	<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>	<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>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

¹ The 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, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1034%	0.1033%	0.1058%	0.1056%
Proportionate share of the net OPEB liability	\$ 438,248	\$ 384,693	\$ 404,946	\$ 444,259
Covered payroll	N/A ¹	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	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	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, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.0593%	0.0584%	0.0589%	0.0583%	0.0615%	0.0630%	0.0561%
Proportionate share of the net pension liability	\$ 57,514,368	\$ 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	29,648,664	28,773,271	31,015,666	31,911,306	28,333,801	22,443,712	19,793,567
Total	<u>\$ 87,163,032</u>	<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>\$ 31,595,035</u>	<u>\$ 31,418,956</u>	<u>\$ 31,523,943</u>	<u>\$ 31,359,324</u>	<u>\$ 31,387,476</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>182.04%</u>	<u>167.86%</u>	<u>171.84%</u>	<u>172.01%</u>	<u>158.57%</u>	<u>154.38%</u>	<u>124.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2020	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	0.0715%	0.0757%	0.0790%	0.0791%	0.0852%	0.0805%	0.0799%
Proportionate share of the net pension liability	\$ 21,935,705	\$ 22,066,753	\$ 21,252,307	\$ 18,887,623	\$ 16,822,094	\$ 11,867,270	\$ 9,075,287
Covered payroll	\$ 10,486,725	\$ 10,530,506	\$ 11,134,885	\$ 10,093,160	\$ 10,466,776	\$ 8,924,953	\$ 8,482,587
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.18%</u>	<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>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Huntington Beach City School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 4,795,863	\$ 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	4,795,863	5,402,751	5,115,006	4,548,905	3,945,003	3,368,190	2,440,877
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 29,695,746</u>	<u>\$ 31,595,035</u>	<u>\$ 31,418,956</u>	<u>\$ 31,523,943</u>	<u>\$ 31,359,324</u>	<u>\$ 31,387,476</u>	<u>\$ 27,487,354</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<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	\$ 2,002,026	\$ 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	2,002,026	2,068,087	1,902,020	1,729,359	1,401,738	1,239,999	1,050,467
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,671,623</u>	<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>20.700%</u>	<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 States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

This schedule presents information for the original and final 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 2.25% to 2.50% since the previous valuation. The plan salary assumptions decreased from 3.00% to 2.75% since the previous valuation. The discount rate decreased from 3.80% to 2.16% since the previous 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 3.50% to 2.21% 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, 2021

Huntington Beach City School District

Huntington Beach City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 310,598
Title II, Part A, Supporting Effective Instruction	84.367	14341	104,506
Title III, English Learner Student Program	84.365	14346	23,261
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	7,686
Special Education Cluster (IDEA)			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,239,733
IDEA Preschool Grants, Part B, Section 619	84.173	13430	41,469
IDEA Preschool Staff Development, Part B, Section 619	84.173A	13431	338
Subtotal Special Education Cluster (IDEA)			<u>1,281,540</u>
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	365,372
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	805,596
COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	362,029
Subtotal			<u>1,532,997</u>
Total U.S. Department of Education			<u>3,260,588</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	759,903
Basic Breakfast Program	10.553	13390	35,991
Especially Needy Breakfast Program	10.555	13526	282,105
Total Child Nutrition Cluster			<u>1,077,999</u>
Total U.S. Department of Agriculture			<u>1,077,999</u>
U.S. Department of the Treasury			
Passed through CDE			
COVID-19: Coronavirus Relief Fund	21.019	25516	2,212,128
Passed through the County of Orange			
COVID-19: Coronavirus Relief Fund	21.019	[1]	22,400
Total U.S. Department of the Treasury			<u>2,234,528</u>
Total Federal Financial Assistance			<u>\$ 6,573,115</u>

¹ Pass-Through Entity Identifying Number not available

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ann Sullivan	President	2024
Bridget Kaub	Vice President	2024
Paul Morrow, Ed.D	Clerk	2022
Shari Kowalke	Member	2022
Diana Marks	Member	2022

ADMINISTRATION

Leisa Winston, Ed.D.	Superintendent
Cynthia Guerrero, Ed.D.	Assistant Superintendent, Educational Services
Patricia Hager	Assistant Superintendent, Human Resources
Jenny Delgado	Assistant Superintendent, Administrative Services

Huntington Beach City School District
 Schedule of Instructional Time
 Year Ended June 30, 2021

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

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Huntington Beach City School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 65,071,475	\$ 73,455,273	\$ 67,916,349	\$ 69,363,053
Expenditures	66,167,234	68,993,429	68,555,375	68,861,742
Other uses	204,488	200,475	931,872	804,321
Total Expenditures and Other Uses	66,371,722	69,193,904	69,487,247	69,666,063
Increase/(Decrease) in Fund Balance	(1,300,247)	4,261,369	(1,570,898)	(303,010)
Ending Fund Balance	\$ 11,508,609	\$ 12,808,856	\$ 8,547,487	\$ 10,118,385
Available Reserves ²	\$ 1,301,074	\$ 3,459,695	\$ 2,057,412	\$ 2,061,811
Available Reserves as a Percentage of Total Outgo	1.96%	5.00%	3.00%	3.10%
Long-Term Liabilities	N/A	\$ 278,732,858	\$ 203,205,800	\$ 209,996,791
K-12 Average Daily Attendance at P-2	4,922	6,231	6,231	6,422

The General Fund balance has increased by \$2,690,471 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$1,300,247 (10.15%). 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 two of the past three years and anticipates incurring another operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$68,736,067 over the past two years.

Average daily attendance has decreased by 191 over the past two years. An additional decline of 1,309 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

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

Huntington Beach City School District
Schedule of Charter Schools
Year Ended June 30, 2021

<u>Name of Charter School</u>	<u>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, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets					
Deposits and investments	\$ 19,666	\$ 53,903	\$ 701,974	\$ 261,146	\$ 3,777,842
Receivables	-	53,457	179,565	126	26,311
Due from other funds	-	-	467	-	-
Stores inventories	-	-	48,213	-	-
Total assets	<u>\$ 19,666</u>	<u>\$ 107,360</u>	<u>\$ 930,219</u>	<u>\$ 261,272</u>	<u>\$ 3,804,153</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 37,494	\$ 179,189	\$ 3	\$ 5,038
Due to other funds	-	11,400	32,388	-	-
Unearned revenue	-	17,206	85,822	-	-
Total liabilities	<u>-</u>	<u>66,100</u>	<u>297,399</u>	<u>3</u>	<u>5,038</u>
Fund Balances					
Nonspendable	-	-	48,713	-	-
Restricted	19,666	41,260	584,107	261,269	3,792,322
Assigned	-	-	-	-	6,793
Total fund balances	<u>19,666</u>	<u>41,260</u>	<u>632,820</u>	<u>261,269</u>	<u>3,799,115</u>
Total liabilities and fund balances	<u>\$ 19,666</u>	<u>\$ 107,360</u>	<u>\$ 930,219</u>	<u>\$ 261,272</u>	<u>\$ 3,804,153</u>

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

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	\$ 1,800,482	\$ 6,214,183	\$ 12,829,196
Receivables	854	5,077	265,390
Due from other funds	-	-	467
Stores inventories	-	-	48,213
Total assets	<u>\$ 1,801,336</u>	<u>\$ 6,219,260</u>	<u>\$ 13,143,266</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 34,771	\$ -	\$ 256,495
Due to other funds	-	-	43,788
Unearned revenue	-	-	103,028
Total liabilities	<u>34,771</u>	<u>-</u>	<u>403,311</u>
Fund Balances			
Nonspendable	-	-	48,713
Restricted	-	6,219,260	10,917,884
Assigned	1,766,565	-	1,773,358
Total fund balances	<u>1,766,565</u>	<u>6,219,260</u>	<u>12,739,955</u>
Total liabilities and fund balances	<u>\$ 1,801,336</u>	<u>\$ 6,219,260</u>	<u>\$ 13,143,266</u>

Huntington Beach City School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues					
Federal sources	\$ -	\$ 22,050	\$ 1,077,999	\$ -	\$ -
Other State sources	-	235,652	122,647	-	-
Other local sources	110	471	32,482	2,474	1,473,216
Total revenues	<u>110</u>	<u>258,173</u>	<u>1,233,128</u>	<u>2,474</u>	<u>1,473,216</u>
Expenditures					
Current					
Instruction	-	184,175	-	-	-
Instruction-related activities					
Supervision of instruction	-	18,287	-	-	-
School site administration	-	1,517	-	-	-
Pupil services					
Food services	-	41	1,267,360	-	-
All other pupil services	-	1,039	-	-	-
Administration					
All other administration	-	19,881	63,183	-	14,340
Plant services	-	10,976	2,630	-	-
Ancillary services	2,459	-	-	-	-
Facility acquisition and construction	-	-	-	-	57,263
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	<u>2,459</u>	<u>235,916</u>	<u>1,333,173</u>	<u>-</u>	<u>71,603</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,349)</u>	<u>22,257</u>	<u>(100,045)</u>	<u>2,474</u>	<u>1,401,613</u>
Other Financing Sources (Uses)					
Other sources - proceeds from general obligation bond issuance	-	-	-	-	-
Other sources - proceeds from certificates of participation and lease purchase agreement	-	-	-	-	-
Other sources - land purchase agreement	-	-	-	-	-
Transfers out	-	-	-	-	-
Other uses - refunding of certificates of participation and lease purchase agreement	-	-	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,349)	22,257	(100,045)	2,474	1,401,613
Fund Balance - Beginning, as restated	<u>22,015</u>	<u>19,003</u>	<u>732,865</u>	<u>258,795</u>	<u>2,397,502</u>
Fund Balance - Ending	<u>\$ 19,666</u>	<u>\$ 41,260</u>	<u>\$ 632,820</u>	<u>\$ 261,269</u>	<u>\$ 3,799,115</u>

Huntington Beach City School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2021

	Special Reserve Fund for Capital Outlay Projects	COP Capital Projects Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
	-	\$ -	-	\$ -	\$ 1,100,049
	-	-	25,593	-	383,892
Revenues	<u>644,526</u>	<u>-</u>	<u>5,860,104</u>	<u>-</u>	<u>8,013,383</u>
Federal sources	<u>644,526</u>	<u>-</u>	<u>5,885,697</u>	<u>-</u>	<u>9,497,324</u>
Other State sources					
Other local sources					
Total revenues	-	-	-	-	184,175
Expenditures					
Current	-	-	-	-	18,287
Instruction	-	-	-	-	1,517
Instruction-related activities					
Supervision of instruction	-	-	-	-	1,267,401
School site administration	-	-	-	-	1,039
Pupil services					
Food services	-	-	-	-	97,404
All other pupil services	2,450	-	-	-	16,056
Administration					
All other administration	196,143	-	-	-	253,406
Plant services					
Ancillary services	-	-	4,655,000	-	4,655,000
Facility acquisition and construction	2,783	-	4,376,743	291,717	4,671,243
Debt service	<u>201,376</u>	<u>-</u>	<u>9,031,743</u>	<u>291,717</u>	<u>11,167,987</u>
Principal					
Interest and other	443,150	-	(3,146,046)	(291,717)	(1,670,663)
Total expenditures	<u>443,150</u>	<u>-</u>	<u>(3,146,046)</u>	<u>(291,717)</u>	<u>(1,670,663)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	2,906,725	-	2,906,725
Other Financing Sources (Uses)					
Other sources - proceeds from general obligation bond issuance	-	-	-	12,037,964	12,037,964
Other sources - proceeds from certificates of participation and lease purchase agreement	400,000	-	-	-	400,000
Other sources - land purchase agreement	-	(4)	-	(78,159)	(78,163)
Transfers out	-	-	-	(11,746,247)	(11,746,247)
Other uses - refunding of certificates of participation and lease purchase agreement	400,000	(4)	2,906,725	213,558	3,520,279
Other uses - refunding of certificates of participation and lease purchase agreement	843,150	(4)	(239,321)	(78,159)	1,849,616
Net Financing Sources (Uses)	<u>923,415</u>	<u>4</u>	<u>6,458,581</u>	<u>78,159</u>	<u>10,890,339</u>
Net Change in Fund Balances	<u>\$ 1,766,565</u>	<u>\$ -</u>	<u>\$ 6,219,260</u>	<u>\$ -</u>	<u>\$ 12,739,955</u>

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, 2021. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the 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 Instructional Time

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited 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, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 11, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, Huntington Beach City School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 11, 2021



Independent Auditor's Report on Compliance for Each 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 Each 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 each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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
December 11, 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 *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

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

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

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.

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

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 11, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Huntington Beach City School District

Financial Statements

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

Federal Awards

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

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
COVID-19: Coronavirus Relief Fund	21.019

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.

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