Financial Statements
June 30, 2022

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 Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 1 and 16 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2022

BOARD OF TRUSTEES
Bridget Kaub • Diana Marks
Paul Morrow, Ed.D. • Meghan Willis • Ann Sullivan
Superintendent: Leisa Winston, Ed.D.

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, 2022, with comparative information for the year ended June 30, 2021. 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 each of the three categories of activities: governmental, proprietary, and fiduciary.

- 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.

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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 the governmental fund financial statements.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District's net position increased at the end of the 2021-2022 fiscal year by $42,820,157 (Table 2) due to the reduction of the aggregate net pension liabilities.
- 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 and 2021-2022 school years.
- The District is on the trajectory of becoming a community-funded district by 2024-2025, and therefore 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 4% starting 2021-2022. With a 7 % reserve, the District will be able to maintain a strong financial position.
- In 2021-2022, 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 2021-2022 expenditures include approximately $5.8 million of pandemic-related expenditures funded by Federal and State COVID-19 relief funds.
- The Board of Trustees adopted the Strategic Plan for 2022-2027, which will guide our work over the next five years by establishing focus areas for the District. Under focus area # 4, HBCSD will strengthen the District's short and long-term financial position through the responsible use of resources.
- Using Measure Q funds, the District has completed the modernization of Eader, Moffett, Hawes, Peterson, Smith, and Seacliff Elementary Schools and Dwyer Middle School. The last project is the reconstruction of Sowers Middle School, scheduled to start in December 2022. The approximately $72 million project will be funded by the Measure Q remaining funds and other facilities funds, including Gisler Middle School sale proceeds.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $13,274,599 for the fiscal year ended June 30, 2022. Of this amount, $(36,059,698) 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	
	2022	2021 as restated
Assets		
Current and other assets	$ 125,211,708	$ 108,588,819
Capital assets and right-to-use leased assets	146,143,081	138,300,720
Total assets	271,354,789	246,889,539
Deferred outflows of resources	15,110,453	20,057,883
Liabilities		
Current liabilities	11,196,499	11,091,513
Long-term liabilities	224,661,489	280,067,305
Total liabilities	235,857,988	291,158,818
Deferred inflows of resources	37,332,655	5,334,162
Net Position		
Net investment in capital assets	33,408,683	30,518,424
Restricted	15,925,614	13,835,835
Unrestricted deficit	(36,059,698)	(73,899,817)
Total net position (deficit)	$ 13,274,599	$ (29,545,558)

The $(36,059,698) 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 decreased by 51.2% ($36,059,698 compared to $73,899,817).

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, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2022	2021 *
Revenues		
Program revenues		
Charges for services and sales	$ 523,707	$ 318,559
Operating grants and contributions	20,384,384	17,109,028
General revenues		
Federal and State aid not restricted	7,534,143	5,557,794
Property taxes	57,537,755	56,899,036
Other general revenues	35,714,709	5,034,184
Total revenues	121,694,698	84,918,601
Expenses		
Instruction-related	52,179,644	61,854,753
Pupil services	5,798,391	4,843,402
Administration	6,924,800	6,611,233
Plant services	7,521,743	13,432,036
All other services	6,449,963	6,995,039
Total expenses	78,874,541	93,736,463
Change in net position	$ 42,820,157	$ (8,817,862)

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $78,874,541. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $57,537,755 because the cost was paid by those who benefited from the programs ($523,707) or by other governments and organizations who subsidized certain programs with grants and contributions ($20,384,384). We paid for the remaining "public benefit" portion of our governmental activities with $43,248,852 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	
	2022	2021*	2022	2021*
Instruction-related	$ 52,179,644	$ 61,854,753	$ 37,591,936	$ 49,237,644
Pupil services	5,798,391	4,843,402	1,675,767	2,457,480
Administration	6,924,800	6,611,233	6,493,722	6,187,536
Plant services	7,521,743	13,432,036	7,147,975	12,341,759
All other services	6,449,963	6,995,039	5,057,050	6,084,457
Total	$ 78,874,541	$ 93,736,463	$ 57,966,450	$ 76,308,876

* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $115,654,328, which is an increase of $16,037,863 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	$ 16,865,444	$ 77,817,559	$ 71,396,029	$ 23,286,974
Building	70,011,066	(688,872)	17,973,506	51,348,688
Special Reserve Fund for Capital Outlay Projects	1,766,565	39,570,724	11,216,905	30,120,384
Student Activity	19,666	20,476	22,573	17,569
Child Development	41,260	337,238	346,562	31,936
Cafeteria	632,820	2,972,035	2,066,942	1,537,913
Deferred Maintenance	261,269	(3,384)	-	257,885
Capital Facilities	3,799,115	1,500,016	32,645	5,266,486
Bond Interest and Redemption	6,219,260	5,130,014	7,562,781	3,786,493
Total	$ 99,616,465	$ 126,655,806	$ 110,617,943	$ 115,654,328

The primary reasons for these increases/decreases are:

- The Special Reserve fund for Capital Outlay Projects had an increase of $28 million, which was the net sales proceeds of the Gisler surplus property sale.
- The increase in the General Fund was mainly due to restricted funds received in 2021-2022 but carried over to the 2022-2023 fiscal year to be used according to federal and state allowable expenditure guidelines.

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 21, 2022. (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 67.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had $146,143,081 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, equipment, and right-to-use leased assets. This amount represents a net increase (including additions, deductions, and depreciation/amortization) of $7,842,361, or 5.67%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as restated
Land and construction in progress	$ 46,692,442	$ 73,713,437
Buildings and improvements	93,485,235	61,909,603
Equipment	5,000,767	1,343,233
Right-to-use assets	964,637	1,334,447
Total	$ 146,143,081	$ 138,300,720

We present more detailed information about our capital assets in Note 4 to the financial statements. In 2022-2023 school year, the District will complete modernization at Peterson and Eader Elementary Schools and construction of the Central Kitchen at the District Office. In December 2022, the District will start the Sowers Middle School reconstruction project. The approximately $72 million project will be funded by the Measure Q remaining funds and other facilities funds, including Gisler Middle School sale proceeds.

Long-Term Liabilities

At the end of this year, the District had $224,661,489 in long-term liabilities outstanding versus $280,067,305 last year, a decrease of 19.78%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
General obligation bonds	$ 160,146,535	$ 161,751,079
Unamortized premiums	5,728,050	6,074,737
Certificates of participation	1,730,000	11,730,000
Unamortized discounts	(79,765)	(85,900)
Lease purchase agreement	4,252,403	4,867,167
Lease liability	990,837	1,334,447
Compensated absences	677,699	614,113
Supplemental employee retirement plan	385,205	796,660
Aggregate net OPEB liabilities	12,822,769	13,534,929
Aggregate net pension liabilities	38,007,756	79,450,073
Total	$ 224,661,489	$ 280,067,305

We present more detailed information regarding our long-term liabilities in Note 9, Note 10, 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 $160.1 million is significantly below this statutorily-imposed limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In July 2022, when the 2022-2023 Budget was enacted, the Governor and Legislature approved additional LCFF funding, including the use of the prior three years of attendance to fund districts starting 2022-2023 and an allocation for transitional kindergarten students. The LCFF augmented funding provisions increased the state revenues HBCSD is to receive in 2022-2023 by approximately $4.5 million, surpassing the estimated local property taxes delaying the transition to community funded status to possibly 2023-2024 or likely to 2024-2025.

Although these are good news for education, the impact on HBCSD's financial position in future years would depend on how the State continues allocating 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 and use of one-time grants provided by the state in 2022-2023, the District is assessing and establishing priorities to provide high-quality education to our students while maintaining fiscal solvency.

Our 2022-2023 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 2022-2023:

- The enrollment is projected at 4,714. The significant enrollment decrease is due to continuing declining enrollment in Orange County, which has been exacerbated by the pandemic, and the restrictions to inter-district transfers implemented by the District in 2020.
- The three-year Average Daily Attendance (ADA) is 5,739
- Projections for LCFF funding are based on estimates provided the State of California, Department of Finance, and Orange County Department of Education advisories.
- The District implemented the following district-wide class size reduction initiative for the 2022-2023 school year to mitigate learning loss and provide additional supports to students:

	Staffing Ratios
Grades kindergarten through fifth	25:1
Grades six through eight	28:1

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.

	Governmental Activities
Assets	
Deposits and investments	$ 114,785,659
Receivables	9,838,338
Stores inventories	90,676
Lease receivables	497,035
Capital assets not depreciated	46,692,442
Capital assets, net of accumulated depreciation	98,486,002
Right-to-use leased assets, net of accumulated amoritzation	964,637
Total assets	271,354,789
Deferred Outflows of Resources	
Deferred charge on refunding	177,401
Deferred outflows of resources related to OPEB	2,438,813
Deferred outflows of resources related to pensions	12,494,239
Total deferred outflows of resources	15,110,453
Liabilities	
Accounts payable	5,893,623
Interest payable	2,129,140
Unearned revenue	3,173,736
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,022,706
Long-term liabilities other than OPEB and pensions due in more than one year	171,808,258
Aggregate net OPEB liabilities	12,822,769
Aggregate net pension liabilities	38,007,756
Total liabilities	235,857,988
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,745,190
Deferred inflows of resources related to pensions	35,097,444
Deferred inflows of resources related to leases	490,021
Total deferred inflows of resources	37,332,655
Net Position	
Net investment in capital assets	33,408,683
Restricted for	
Debt service	1,657,353
Capital projects	5,266,486
Educational programs	7,221,131
Other restrictions	1,780,644
Unrestricted deficit	(36,059,698)
Total net position	$ 13,274,599

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 45,403,760	$ 28,566	$ 13,501,826	$ (31,873,368)
Instruction-related activities				
Supervision of instruction	2,345,784	8,239	989,433	(1,348,112)
Instructional library, media, and technology	664,635	-	44,763	(619,872)
School site administration	3,765,465	13	14,868	(3,750,584)
Pupil services				
Home-to-school transportation	1,150,327	-	81,814	(1,068,513)
Food services	1,914,876	72,340	2,688,135	845,599
All other pupil services	2,733,188	1,839	1,278,496	(1,452,853)
Administration				
Data processing	708,349	-	-	(708,349)
All other administration	6,216,451	5,784	425,294	(5,785,373)
Plant services	7,521,743	-	373,768	(7,147,975)
Ancillary services	74,240	-	20,476	(53,764)
Interest on long-term liabilities	5,915,397	-	-	(5,915,397)
Other outgo	460,326	406,926	965,511	912,111
Total governmental activities	$ 78,874,541	$ 523,707	$ 20,384,384	(57,966,450)
General Revenues and Subventions				
Property taxes, levied for general purposes				51,215,587
Property taxes, levied for debt service				5,173,522
Taxes levied for other specific purposes				1,148,646
Federal and State aid not restricted to specific purposes				7,534,143
Interest and investment earnings				(1,499,067)
Interagency revenues				27,345
Special and extraordinary - sale of property				36,584,735
Miscellaneous				601,696
Subtotal, general revenues and subventions				100,786,607
Change in Net Position				42,820,157
Net Position (Deficit) - Beginning				(29,545,558)
Net Position - Ending				$ 13,274,599

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 21,884,607	$ 52,270,062	$ 30,119,908	$ 10,511,082	$ 114,785,659
Receivables	9,074,057	29,871	21,294	713,116	9,838,338
Due from other funds	16,336	8,500	-	9,017	33,853
Stores inventories	26,517	-	-	64,159	90,676
Lease receivables	-	-	497,035	-	497,035
Total assets	$ 31,001,517	$ 52,308,433	$ 30,638,237	$ 11,297,374	$ 125,245,561
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 4,651,310	$ 959,745	$ 27,832	$ 254,736	$ 5,893,623
Due to other funds	17,517	-	-	16,336	33,853
Unearned revenue	3,045,716	-	-	128,020	3,173,736
Total liabilities	7,714,543	959,745	27,832	399,092	9,101,212
Deferred Inflows of Resource					
Deferred inflows of resources related to leases	-	-	490,021	-	490,021
Fund Balances					
Nonspendable	41,517	-	-	64,659	106,176
Restricted	7,221,131	51,348,688	-	10,833,623	69,403,442
Committed	5,151,008	-	-	-	5,151,008
Assigned	4,204,258	-	30,120,384	-	34,324,642
Unassigned	6,669,060	-	-	-	6,669,060
Total fund balances	23,286,974	51,348,688	30,120,384	10,898,282	115,654,328
Total liabilities, deferred inflows of resources, and fund balances	$ 31,001,517	$ 52,308,433	$ 30,638,237	$ 11,297,374	$ 125,245,561

Total Fund Balance - Governmental Funds		$ 115,654,328
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 236,720,318	
Accumulated depreciation is	(91,541,874)	
Net capital assets		145,178,444
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in government funds.		
The cost of right-to-use leased assets is	1,334,447	
Accumulated amortization is	(369,810)	
Net right-to-use leased assets		964,637
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.		(2,129,140)
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)	177,401	
Aggregate net other postemployment benefits (OPEB)	2,438,813	
Aggregate net pension liabilities	12,494,239	
Total deferred outflows of resources		15,110,453
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)	(1,745,190)	
Aggregate net pension liabilities	(35,097,444)	
Total deferred inflows of resources		(36,842,634)

Aggregate net pension liabilities is not due and payable in the current period, and is not reported as a liability in the funds.		$ (38,007,756)
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.		(12,822,769)
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)	$ (157,367,012)	
Certificates of participation (including discount)	(1,650,235)	
Lease purchase agreements	(4,252,403)	
Lease liability	(990,837)	
Compensated absences	(677,699)	
Supplemental employee retirement plan	(385,205)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(8,507,573)	
Total long-term liabilities		(173,830,964)
Total net position - governmental activities		$ 13,274,599

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	$ 56,740,516	$ -	$ -	$ -	$ 56,740,516
Federal sources	6,616,521	-	-	2,749,180	9,365,701
Other State sources	8,615,934	-	671,864	525,625	9,813,423
Other local sources	5,844,588	(688,872)	368,177	6,681,590	12,205,483
Total revenues	77,817,559	(688,872)	1,040,041	9,956,395	88,125,123
Expenditures					
Current					
Instruction	47,492,443	-	-	276,275	47,768,718
Instruction-related activities					
Supervision of instruction	2,204,684	-	-	30,527	2,235,211
Instructional library, media, and technology	652,103	-	-	-	652,103
School site administration	3,629,645	-	-	88	3,629,733
Pupil services					
Home-to-school transportation	1,102,653	-	-	-	1,102,653
Food services	14,099	-	-	2,011,127	2,025,226
All other pupil services	2,714,087	-	-	1,953	2,716,040
Administration					
Data processing	673,995	-	-	-	673,995
All other administration	5,467,925	-	-	113,008	5,580,933
Plant services	5,705,509	-	24,855	13,171	5,743,535
Ancillary services	49,719	-	-	22,573	72,292
Other outgo	460,326	-	-	-	460,326
Facility acquisition and construction	-	17,973,506	1,188,433	-	19,161,939
Debt service					
Principal	958,374	-	10,000,000	2,425,000	13,383,374
Interest and other	270,467	-	3,617	5,137,781	5,411,865
Total expenditures	71,396,029	17,973,506	11,216,905	10,031,503	110,617,943
Excess (Deficiency) of Revenues Over Expenditures	6,421,530	(18,662,378)	(10,176,864)	(75,108)	(22,492,820)
Other Financing Sources					
Other sources - proceeds from sale of property	-	-	38,530,683	-	38,530,683
Net Change in Fund Balances	6,421,530	(18,662,378)	28,353,819	(75,108)	16,037,863
Fund Balance - Beginning	16,865,444	70,011,066	1,766,565	10,973,390	99,616,465
Fund Balance - Ending	$ 23,286,974	$ 51,348,688	$ 30,120,384	$ 10,898,282	$ 115,654,328

Total Net Change in Fund Balances - Governmental Funds		$ 16,037,863
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 and amortization expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation and amortization exzpenses in the period.		
Capital outlays	$ 17,868,143	
Depreciation and amortization expenses	(7,356,854)	
Net expense adjustment		10,511,289
Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(2,668,928)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental early retirement plan (SERP) are measured by the amounts earned during the year. In the government 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.		347,869
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.		6,528,843
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 aggregate net OPEB liability during the year.		(816,621)
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 amortization		346,687
Discount amortization		(6,135)
Deferred charge on refunding amortization		(13,647)

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	$ 2,425,000
Certificates of participation	10,000,000
Lease purchase agreement	614,764
Lease liability	343,610
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.	(9,981)
The District issued capital appreciation general obligation bonds. The accretion of interest on the general obligation bonds during the current fiscal year was	(820,456)
Change in net position of governmental activities	$ 42,820,157

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 Unit*s 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. For the fiscal year ended June 30, 2022, there was no activity in these funds. 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 $4,204,258.

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

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

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).

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 local educational agency (*Education Code* Sections 15125-15262).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 and amortization of leased assets. 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 governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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, 2022.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column 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, leases, and long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt 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 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 are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to leases, for pension related items, and for OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the 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.

Leases

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

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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 $15,925,614 of restricted net position restricted by enabling legislation.

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, and those differences could be material.

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard is included in Notes 5 and 9.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

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

The requirements of this Statement are effective as follows:

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

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

Implementation of GASB Statement No. 93

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

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 114,785,659

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

Cash on hand and in banks	$ 17,569
Cash in revolving	15,500
Investments	114,752,590
Total deposits and investments	$ 114,785,659

Policies and Practices

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

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

General Authorizations

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

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

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 $114,752,590 with the Orange County Educational Investment Pool, with an average weighted maturity of 287 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, 2022.

Custodial Credit Risk – Deposits

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

Note 3 - Receivables

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 5,228,077	$ -	$ -	$ 663,050	$ 5,891,127
Other Federal	1,259,116	-	-	-	1,259,116
State Government					
LCFF apportionment	220,552	-	-	-	220,552
Categorical aid	1,621,480	-	-	15,223	1,636,703
Lottery	369,782	-	-	-	369,782
Local Government					
Interest	15,548	29,871	19,436	3,388	68,243
Other local sources	359,502	-	1,858	31,455	392,815
Total	$ 9,074,057	$ 29,871	$ 21,294	$ 713,116	$ 9,838,338

Note 4 - Capital Assets

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

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 25,374,763	$ -	$ 1,703,675	$ 23,671,088
Construction in progress	48,338,674	17,557,351	42,874,671	23,021,354
Total capital assets not being depreciated	73,713,437	17,557,351	44,578,346	46,692,442
Capital assets being depreciated				
Land improvements	5,318,009	-	98,454	5,219,555
Buildings and improvements	138,495,389	38,634,624	2,411,716	174,718,297
Furniture and equipment	6,682,423	4,550,839	1,143,238	10,090,024
Total capital assets being depreciated	150,495,821	43,185,463	3,653,408	190,027,876
Total capital assets	224,209,258	60,742,814	48,231,754	236,720,318
Accumulated depreciation				
Land improvements	(4,060,238)	(173,832)	24,023	(4,210,047)
Buildings and improvements	(77,843,557)	(6,642,888)	2,243,875	(82,242,570)
Furniture and equipment	(5,339,190)	(170,324)	420,257	(5,089,257)
Total accumulated depreciation	(87,242,985)	(6,987,044)	2,688,155	(91,541,874)
Net depreciable capital assets	136,966,273	53,755,770	50,919,909	145,178,444
Right-to-use leased assets being amortized				
Buildings and improvements	1,261,122	-	-	1,261,122
Furniture and equipment	73,325	-	-	73,325
Total right-to-use leased assets being amortized	1,334,447	-	-	1,334,447
Accumulated amortization				
Buildings and improvements	-	(328,988)	-	(328,988)
Furniture and equipment	-	(40,822)	-	(40,822)
Total accumulated amortization	-	(369,810)	-	(369,810)
Net right-to-use leased assets	1,334,447	(369,810)	-	964,637
Governmental activities capital assets and right-to-use leased assets, net	$ 138,300,720	$ 53,385,960	$ 50,919,909	$ 146,143,081

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

Governmental Activities	
Instruction	$ 4,990,538
Supervision of instruction	231,974
Instructional library, media, and technology	68,486
School site administration	381,194
Home-to-school transportation	115,803
Food services	1,480
All other pupil services	285,039
Anciliary	5,221
Data processing	103,471
All other administration	574,253
Plant services	599,395
Total depreciation and amortization expenses governmental activities	$ 7,356,854

Note 5 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivable	Outstanding July 1, 2021	Addition	Deletion	Outstanding June 30, 2022
Facility Leases	$ -	$ 588,028	$ (90,993)	$ 497,035

Facility Leases

The District leases a portion of its facilities for an afternoon school program. These agreements are for a period of five years. The agreements allow for 3.00% annual CPI increases to the payments. During the fiscal year, the District recognized $90,993 in lease revenue and $301 in interest revenue related to these agreements. At June 30, 2022, the District recorded $497,035 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of 0.76% based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

Due To	Due From General Fund	Due From Non-Major Governmental Funds	Total
General Fund	$ -	$ 16,336	$ 16,336
Building Fund	8,500	-	8,500
Non-Major Governmental Funds	9,017	-	9,017
Total	$ 17,517	$ 16,336	$ 33,853

A balance of $8,500 is due to the Building Fund from the General Fund for reimbursement of operating expenditures.	$ 8,500
A balance of $1,629 is due to the Child Development Non-Major Governmental Fund from the General Fund for reimbursement of operating expenditures.	1,629
A balance of $7,388 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for reimbursement of operating expenditures.	7,388
A balance of $14,439 is due to the General Fund from Child Development Non-Major Governmental Fund for reimbursement of operating expenditures.	14,439
A balance of $1,897 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement for operating expenditures.	1,897
Total	$ 33,853

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Salaries and benefits	$ 1,950,615	$ -	$ -	$ 132,276	$ 2,082,891
Construction	-	959,745		-	959,745
Due to SELPA	753,849	-	-	-	753,849
Due to Kinetic Academy	135,565	-	-	-	135,565
Other vendor payables	1,811,281	-	27,832	122,460	1,961,573
Total	$ 4,651,310	$ 959,745	$ 27,832	$ 254,736	$ 5,893,623

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 1,572,773	$ -	$ 1,572,773
State categorical aid	970,394	43,514	1,013,908
Other local	502,549	84,506	587,055
Total	$ 3,045,716	$ 128,020	$ 3,173,736

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

Summary

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

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 161,751,079	$ 820,456	$ 2,425,000	$ 160,146,535	$ 980,000
Unamortized premiums	6,074,737	-	346,687	5,728,050	-
Certificates of participation	11,730,000	-	10,000,000	1,730,000	-
Unamortized discount	(85,900)	-	6,135	(79,765)	-
Lease purchase agreement	4,867,167	-	614,764	4,252,403	311,806
Lease liability	1,334,447	-	343,610	990,837	345,695
Compensated absences	614,113	63,586	-	677,699	-
Supplemental employee retirement plan	796,660	-	411,455	385,205	385,205
Total	$ 187,082,303	$ 884,042	$ 14,147,651	$ 173,830,964	$ 2,022,706

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 Special Reserve Fund for Capital Outlay Projects and the General Fund. The lease purchase agreements are paid from the General Fund. The Lease liability 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, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
5/5/2002	2027	8.40%	$ 19,995,023	$ 4,322,807	$ 370,740	$ -	$ 4,693,547
7/24/2003	2029	7.39%	10,003,939	5,973,272	449,716	-	6,422,988
8/14/2014	2022	2.00-5.00%	565,000	30,000	-	30,000	-
8/14/2014	2022	3.00-5.00%	9,245,000	505,000	-	505,000	-
5/9/2017	2047	3.00-5.00%	50,000,000	41,070,000	-	-	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	-	1,890,000	67,960,000
				$ 161,751,079	$ 820,456	$ 2,425,000	$ 160,146,535

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, 2022, the outstanding principal on the bonds amounted to $4,693,547, 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, 2022, the outstanding principal on the bonds amounted to $6,422,988, 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, 2022, the outstanding principal on the bonds were paid in full.

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, 2022, the outstanding principal on the bonds were paid in full.

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, 2022, the outstanding principal on the bonds amounted to $41,070,000. Unamortized premium received on issuance on the bonds amount to $1,688,944 as of June 30, 2022.

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, 2022, the outstanding principal on the bonds amounted to $40,000,000. Unamortized premium received on issuance on the bonds amount to $1,051,792 as of June 30, 2022.

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, 2022, the outstanding principal on the bonds amounted to $67,960,000. Unamortized premium received on issuance on the bonds amount to $2,987,314 as of June 30, 2022.

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	$ 1,652,542	$ 377,458	$ 2,030,000
2026	1,563,250	521,750	2,085,000
2027	1,477,755	662,245	2,140,000
Total	$ 4,693,547	$ 1,561,453	$ 6,255,000

2003 Series A

Fiscal Year	Principal (Including Accreted Interest to Date)	Unmatured Accreted Interest	Total
2025	$ 942,015	$ 187,452	$ 1,129,467
2026	923,300	267,076	1,190,376
2027	904,585	349,469	1,254,054
2028	2,358,158	1,157,171	3,515,329
2029	1,294,930	780,773	2,075,703
Total	$ 6,422,988	$ 2,741,941	$ 9,164,929

2016 Series A

Fiscal Year	Principal	Current Interest to Maturity	Total
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	670,000	1,612,132	2,282,132
2028-2032	4,400,000	7,460,172	11,860,172
2033-2037	7,200,000	6,288,290	13,488,290
2038-2042	11,545,000	4,416,880	15,961,880
2043-2047	17,255,000	1,661,522	18,916,522
Total	$ 41,070,000	$ 27,954,524	$ 69,024,524

2016 Series B

Fiscal Year	Principal	Current Interest to Maturity	Total
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	345,000	1,516,100	1,861,100
2028-2032	3,000,000	7,283,000	10,283,000
2033-2037	5,650,000	6,509,438	12,159,438
2038-2042	9,110,000	5,227,756	14,337,756
2043-2047	13,980,000	2,947,600	16,927,600
2048-2049	7,300,000	297,400	7,597,400
Total	$ 40,000,000	$ 29,939,994	$ 69,939,994

2016 Series C

Fiscal Year	Principal	Current Interest to Maturity	Total
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	120,000	1,828,900	1,948,900
2028-2032	2,735,000	8,930,400	11,665,400
2033-2037	6,705,000	7,990,425	14,695,425
2038-2042	11,375,000	6,538,175	17,913,175
2043-2047	17,230,000	4,610,250	21,840,250
2048-2050	27,750,000	1,146,875	28,896,875
Total	$ 67,960,000	$ 38,512,325	$ 106,472,325

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.

In May 2022, the District prepaid $10,000,000 towards the outstanding balance of $11,730,000. The certificate of participation matures through 2029 with interest ranging from 0.75% to 2.00%. At June 30, 2022, the outstanding principal on the certificates of participation amounted to $1,730,000. Unamortized discount received on issuance on the certificates of participation amount to $79,765 as of June 30, 2022.

The certificates mature through 2029 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2023	$ -	$ 16,963	$ 16,963
2024	-	16,963	16,963
2025	-	16,962	16,962
2026	500,000	14,775	514,775
2027	500,000	10,087	510,087
2028-2029	730,000	6,381	736,381
Total	$ 1,730,000	$ 82,131	$ 1,812,131

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, 2022, the principal balance outstanding is $1,830,000. The lease/purchase agreement matures through 2030 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2023	$ 120,000	$ 19,215	$ 139,215
2024	250,000	34,598	284,598
2025	255,000	29,348	284,348
2026	260,000	23,939	283,939
2027	260,000	18,479	278,479
2028-2030	685,000	21,734	706,734
Total	$ 1,830,000	$ 147,313	$ 1,977,313

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, 2022, the principal balance outstanding is $2,422,403. The lease/purchase agreement matures through 2029 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2023	$ 191,806	$ 23,013	$ 214,819
2024	386,738	40,565	427,303
2025	396,343	33,182	429,525
2026	404,932	25,596	430,528
2027	412,577	17,876	430,453
2028-2029	630,007	11,990	641,997
Total	$ 2,422,403	$ 152,222	$ 2,574,625

Lease Liability

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements is summarized below:

Lease	Outstanding July 1, 2021 as restated	Addition	Payments	Leases Outstanding June 30, 2022
Warehouse	$ 1,261,122	$ -	$ (301,022)	$ 960,100
Copiers	73,325	-	(42,588)	30,737
Total	$ 1,334,447	$ -	$ (343,610)	$ 990,837

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

Year Ending June 30,	Principal	Interest	Total
2023	$ 345,695	$ 23,992	$ 369,687
2024	345,328	13,823	359,151
2025	299,814	3,427	303,241
Total	$ 990,837	$ 41,242	$ 1,032,079

Warehouse Lease

The District entered an agreement to lease a warehouse for five years, beginning May 1, 2020. Under the terms of the lease, the District paid the monthly payments of $27,758.50, which amounted to total principal and interest costs of $1,335,051. The annual interest rate charged on the lease is 0.33%. At June 30, 2022, the District has recognized a right-to-use leased asset of $932,134 and a lease liability of $960,100 related to this agreement. During the fiscal year, the District recorded $328,988 in amortization expense and $32,028 in interest expense for the warehouse lease.

Copiers Lease

The District entered an agreement to lease copiers for five years, with various starts to the agreements. The leases terminate between 2022 and 2024. Under the terms of the lease, the District pays monthly payment that ranges between $157 and $579, which amount to total principal and interest costs of $74,854. The annual interest rate charged on the leases range from 1.34% and 2.95%. At June 30, 2022, the District recognized a right-to-use leased asset of $32,503 and a lease liability of $30,737 related to this agreement. During the fiscal year, the District recorded $40,822 in amortization expense and $1,188 in interest expense for the right-to-use of the copiers.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $677,699.

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, 2022, the outstanding balance of the supplemental employee retirement plan was $385,205. Payments will be made according to the agreement as follows:

Year Ending June 30,	Total
2023	$ 385,205

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

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

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 12,502,689	$ 2,438,813	$ 1,745,190	$ 934,789
Medicare Premium Payment (MPP) Program	320,080	-	-	(118,168)
Total	$ 12,822,769	$ 2,438,813	$ 1,745,190	$ 816,621

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	392
Total	425

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 measurement period of June 30, 2022, the District paid $412,787 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $12,502,689 was measured as of June 30, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.54%, net of investment expense
Healthcare cost trend rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality 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, 2021	$ 13,096,681
Service cost	839,740
Interest	287,499
Changes of assumptions	(1,308,444)
Benefit payments*	(412,787)
Net change in total OPEB liability	(593,992)
Balance, June 30, 2022	$ 12,502,689

*Includes $135,303 for implied rate subsidy.

There were no changes in the benefit terms since the previous valuations. The discount rate increased from 2.16% to 3.54% since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.54%)	$ 13,483,886
Current discount rate (3.54%)	12,502,689
1% increase (4.54%)	11,837,095

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 healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	$ 11,086,966
Current healthcare cost trend rate (4.00%)	12,502,689
1% increase (5.00%)	14,099,786

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

At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,144,825	$ -
Changes of assumptions	1,293,988	1,745,190
Total	$ 2,438,813	$ 1,745,190

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
2022	$ 220,337
2023	220,337
2024	220,337
2025	220,337
2026	220,334
Thereafter	(408,059)
Total	$ 693,623

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $320,080 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, was 0.0802% and 0.1034%, resulting in a net decrease in the proportionate share of 0.0232%.

For the year ended June 30, 2022, the District recognized OPEB expense of ($118,168).

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among 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 245 or an average of 0.16% of the potentially eligible population (152,062).

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 352,816
Current discount rate (2.16%)	320,080
1% increase (3.16%)	292,110

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)	$ 291,075
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	320,080
1% increase (5.50% Part A and 6.40% Part B)	353,333

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 15,000	$ -	$ -	$ 500	$ 15,500
Stores inventories	26,517	-	-	64,159	90,676
Total nonspendable	41,517	-	-	64,659	106,176
Restricted					
Legally restricted programs	7,221,131	-	-	1,780,644	9,001,775
Capital projects	-	51,348,688	-	5,266,486	56,615,174
Debt services	-	-	-	3,786,493	3,786,493
Total restricted	7,221,131	51,348,688	-	10,833,623	69,403,442
Committed					
4% board policy reserve	2,864,013	-	-	-	2,864,013
Lease obligation	1,069,395	-	-	-	1,069,395
Technology replacement	717,600	-	-	-	717,600
Deferred maintenance project	500,000	-	-	-	500,000
Total committed	5,151,008	-	-	-	5,151,008
Assigned					
Other postemployment benefits	4,204,258	-	-	-	4,204,258
Capital projects	-	-	30,120,384	-	30,120,384
Total assigned	4,204,258	-	30,120,384	-	34,324,642
Unassigned					
Reserve for economic uncertainties	2,148,010	-	-	-	2,148,010
Remaining unassigned	4,521,050	-	-	-	4,521,050
Total unassigned	6,669,060	-	-	-	6,669,060
Total	$ 23,286,974	$ 51,348,688	$ 30,120,384	$ 10,898,282	$ 115,654,328

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, 2022, 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 2021-2022, 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, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 24,294,946	$ 9,776,366	$ 27,824,583	$ 554,015
CalPERS	13,712,810	2,717,873	7,272,861	561,037
Total	$ 38,007,756	$ 12,494,239	$ 35,097,444	$ 1,115,052

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $5,335,385.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 24,294,946
State's proportionate share of the net pension liability	12,224,274
Total	$ 36,519,220

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.0534% and 0.0593%, respectively, resulting in a net decrease in the proportionate share of 0.0059%.

For the year ended June 30, 2022, the District recognized pension expense of $554,015. In addition, the District recognized pension expense and revenue of $418,238 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,335,385	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	937,785	6,021,167
Differences between projected and actual earnings on pension plan investments	-	19,217,928
Differences between expected and actual experience in the measurement of the total pension liability	60,860	2,585,488
Changes of assumptions	3,442,336	-
Total	$ 9,776,366	$ 27,824,583

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
2023	$ (4,880,202)
2024	(4,463,790)
2025	(4,574,565)
2026	(5,299,371)
Total	$ (19,217,928)

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
2023	$ 375,951
2024	23,662
2025	(1,181,455)
2026	(1,243,327)
2027	(1,039,074)
Thereafter	(1,101,431)
Total	$ (4,165,674)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 49,455,814
Current discount rate (7.10%)	24,294,946
1% increase (8.10%)	3,411,906

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were $2,308,510.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $13,712,810. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.0674% and 0.0715%, respectively, resulting in a net decrease in the proportionate share of 0.0041%.

For the year ended June 30, 2022, the District recognized pension expense of $561,037. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,308,510	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,977,966
Differences between projected and actual earnings on pension plan investments	-	5,262,568
Differences between expected and actual experience in the measurement of the total pension liability	409,363	32,327
Total	$ 2,717,873	$ 7,272,861

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
2023	$ (1,319,848)
2024	(1,213,719)
2025	(1,265,380)
2026	(1,463,621)
Total	$ (5,262,568)

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
2023	$ (615,179)
2024	(630,915)
2025	(325,677)
2026	(29,159)
Total	$ (1,600,930)

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

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 23,121,723
Current discount rate (7.15%)	13,712,810
1% increase (8.15%)	5,901,393

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, 2022, approximate $6,679.

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 $3,433,398 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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, 2022.

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, 2022.

Construction Commitments

As of June 30, 2022, the District had approximately $75.6 million in commitments with respect to the unfinished capital projects.

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

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, 2022, the District made payments of $1,084,972 to PIPS, $955,315 to SCR, and $511,178 to OCFB, for workers' compensation, property and liability, excess liability, and dental insurance, and $72,600 to Medical Eye Services for vision insurance.

Note 16 - Adoption of New Accounting Standard

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of the adoption of the new standard, the opening balances of certain assets are liabilities were restated as follows:

Government-Wide Financial Statements	
Net Position (Deficit) - Beginning	$ (29,545,558)
Right-to-use leased asset, net of amortization	1,334,447
Lease liability	(1,334,447)
Net Position (Deficit) - Beginning	$ (29,545,558)

Required Supplementary Information
June 30, 2022

Huntington Beach City School District

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances - Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	$ 56,662,162	$ 56,721,880	$ 56,740,516	$ 18,636
Federal sources	1,666,215	6,804,198	6,616,521	(187,677)
Other State sources	2,194,703	8,094,414	8,615,934	521,520
Other local sources	4,548,395	6,311,728	5,844,588	(467,140)
Total revenues [1]	65,071,475	77,932,220	77,817,559	(114,661)
Expenditures				
Current				
Certificated salaries	30,308,901	31,861,817	31,868,069	(6,252)
Classified salaries	10,586,692	11,233,554	11,518,783	(285,229)
Employee benefits	15,792,088	19,398,345	19,222,066	176,279
Books and supplies	1,997,129	2,166,274	1,907,032	259,242
Services and operating expenditures	4,864,114	5,928,974	5,372,191	556,783
Other outgo	149,150	216,637	33,603	183,034
Capital outlay	841,441	290,106	245,444	44,662
Debt service				
Debt service - principal	1,359,764	614,764	958,374	(343,610)
Debt service - interest and other	267,955	267,818	270,467	(2,649)
Total expenditures [1]	66,167,234	71,978,289	71,396,029	582,260
Net Change in Fund Balances	(1,095,759)	5,953,931	6,421,530	467,599
Fund Balance - Beginning	16,865,444	16,865,444	16,865,444	-
Fund Balance - Ending	$ 15,769,685	$ 22,819,375	$ 23,286,974	$ 467,599

[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.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 839,740	$ 586,544	$ 126,194	$ 891,636	$ 883,955
Interest	287,499	264,580	356,602	321,351	264,444
Difference between expected and actual experience	-	1,123,200	269,383	-	-
Changes of assumptions	(1,308,444)	874,044	934,889	(172,611)	-
Benefit payments	(412,787)	(168,809)	(190,959)	(260,323)	(266,299)
Net change in total OPEB liability	(593,992)	2,679,559	1,496,109	780,053	882,100
Total OPEB Liability - Beginning	13,096,681	10,417,122	8,921,013	8,140,960	7,258,860
Total OPEB Liability - Ending	$ 12,502,689	$ 13,096,681	$ 10,417,122	$ 8,921,013	$ 8,140,960
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2022	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.

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0802%	0.1034%	0.1033%	0.1058%	0.1056%
Proportionate share of the net OPEB liability	$ 320,080	$ 438,248	$ 384,693	$ 404,946	$ 444,259
Covered payroll	N/A[1]	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]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	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.

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0534%	0.0593%	0.0584%	0.0589%	0.0583%	0.0615%	0.0630%	0.0561%
Proportionate share of the net pension liability	$ 24,294,946	$ 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	12,224,274	29,648,664	28,773,271	31,015,666	31,911,306	28,333,801	22,443,712	19,793,567
Total	$ 36,519,220	$ 87,163,032	$ 81,513,419	$ 85,187,077	$ 85,852,755	$ 78,104,904	$ 64,879,232	$ 52,572,885
Covered payroll	$ 29,695,746	$ 31,595,035	$ 31,418,956	$ 31,523,943	$ 31,359,324	$ 31,387,476	$ 27,487,354	$ 26,399,360
Proportionate share of the net pension liability as a percentage of its covered payroll	81.81%	182.04%	167.86%	171.84%	172.01%	158.57%	154.38%	124.17%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.0674%	0.0715%	0.0757%	0.0790%	0.0791%	0.0852%	0.0805%	0.0799%
Proportionate share of the net pension liability	$ 13,712,810	$ 21,935,705	$ 22,066,753	$ 21,252,307	$ 18,887,623	$ 16,822,094	$ 11,867,270	$ 9,075,287
Covered payroll	$ 9,671,623	$ 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	141.78%	209.18%	209.55%	190.86%	187.13%	160.72%	132.97%	106.99%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	$ 5,335,385	$ 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	5,335,385	4,795,863	5,402,751	5,115,006	4,548,905	3,945,003	3,368,190	2,440,877
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 31,533,008	$ 29,695,746	$ 31,595,035	$ 31,418,956	$ 31,523,943	$ 31,359,324	$ 31,387,476	$ 27,487,354
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	$ 2,308,510	$ 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	2,308,510	2,002,026	2,068,087	1,902,020	1,729,359	1,401,738	1,239,999	1,050,467
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,076,430	$ 9,671,623	$ 10,486,725	$ 10,530,506	$ 11,134,885	$ 10,093,160	$ 10,466,776	$ 8,924,953
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison 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 discount rate decreased from 2.16% to 3.54% 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 2.21% to 2.16% since the previous valuation.

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

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

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

Schedule of the District’s Contributions

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

Supplementary Information
June 30, 2022

Huntington Beach City School District

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	$ 597,770
Title II, Part A, Supporting Effective Instruction	84.367	14341	107,638
Title III, English Learner Student Program	84.365	14346	1,218
Title III, Immigrant Student Program	84.365	15146	15,629
Special Education Cluster (IDEA)			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,157,635
IDEA Preschool Grants, Part B, Section 619	84.173	13430	31,910
IDEA Preschool Staff Development, Part B, Section 619	84.173A	13431	261
IDEA Basic Local Assistance Entitlement, Part B, Section 611, Private School ISPs	84.027	10115	21,874
COVID-19: ARP IDEA Part B, Section 611, Local Assistance Private School ISPs	84.027	10169	242,620
COVID-19: ARP IDEA Part B, Section 611, Local Assistance Entitlement	84.027	15638	4,584
COVID-19: ARP IDEA Part B Section 619, Preschool Grants	84.173	15639	20,535
Subtotal Special Education Cluster (IDEA)			1,479,419
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	33
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	674,517
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15618	556,260
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	1,684,736
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	10155	383,928
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15620	362,617
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15621	625,089
COVID-19: Governor's Emergency Education Relief II (GEER II) Fund	84.425C	15619	127,667
Subtotal			4,414,847
Total U.S. Department of Education			6,616,521

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 Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	$ 155,801
Summer Food Service Program	10.559	13004	2,405,738
COVID-19: School Nutrition Program Emergency Operational Costs Reimbursement	10.555	15637	41,630
Subtotal Child Nutrition Cluster			2,603,169
COVID-19: Pandemic EBT Local Administrative Grant	10.649	15644	3,063
Total U.S. Department of Agriculture			2,606,232
U.S. Department of Health and Human Services			
Passed through CDE			
COVID-19: ARP California State Preschool One-Time Stipend	93.575	15640	5,064
Total U.S. Department of Health and Human Services			5,064
Total Federal Financial Assistance			$ 9,227,817

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

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

ADMINISTRATION

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

	Second Period Report*	Annual Report
Regular ADA		
Transitional kindergarten through third	1,835.49	1,837.72
Fourth through sixth	1,614.12	1,610.20
Seventh and eighth	1,183.26	1,179.29
Total Regular ADA	4,632.87	4,627.21
Extended Year Special Education		
Transitional kindergarten through third	3.20	3.20
Fourth through sixth	2.13	2.13
Seventh and eighth	1.10	1.10
Total Extended Year Special Education	6.43	6.43
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.08	0.32
Fourth through sixth	1.80	1.83
Seventh and eighth	1.88	1.68
Total Special Education, Nonpublic, Nonsectarian Schools	3.76	3.83
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.04	0.04
Fourth through sixth	0.06	0.06
Seventh and eighth	0.22	0.22
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.32	0.32
Total ADA	4,643.38	4,637.79

*The Second Period Report was amended on July 8, 2022.

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar: Number of Actual Days	Traditional Calendar: Number of Days Credited Form J-13A	Traditional Calendar: Total Days Offered	Multitrack Calendar: Number of Actual Days	Multitrack Calendar: Number of Days Credited Form J-13A	Multitrack Calendar: Total Days Offered	Status
Kindergarten	36,000	50,517	-	50,517	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		50,517	-	50,517	180	-	180	-	-	-	Complied
Grade 2		50,517	-	50,517	180	-	180	-	-	-	Complied
Grade 3		50,517	-	50,517	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		54,111	-	54,111	180	-	180	-	-	-	Complied
Grade 5		54,111	-	54,111	180	-	180	-	-	-	Complied
Grade 6		54,870	-	54,870	180	-	180	-	-	-	Complied
Grade 7		54,870	-	54,870	180	-	180	-	-	-	Complied
Grade 8		54,870	-	54,870	180	-	180	-	-	-	Complied

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

	Special Reserve Fund for Capital Outlay Projects	Cafeteria Non-Major Governmental Fund	Bond Interest and Redemption Fund Non-Major Governmental Fund
Fund Balance			
Balance, June 30, 2022, Unaudited Actuals	$ 30,113,370	$ 1,418,965	$ 3,846,810
Increase in			
Receivables	-	118,948	-
Lease receivables	497,035	-	-
Decrease in			
Cash in County	-	-	(60,317)
Deferred inflows of resources	(490,021)	-	-
Balance, June 30, 2022, Audited Financial Statements	$ 30,120,384	$ 1,537,913	$ 3,786,493

	(Budget) 2023 [1]	2022	2021 [1]	2020 [1]
General Fund [3]				
Revenues	$ 71,419,429	$ 77,874,187	$ 73,455,273	$ 67,916,349
Expenditures	70,180,122	71,396,029	68,993,429	68,555,375
Other uses	200,000	204,298	200,475	931,872
Total expenditures and other uses	70,380,122	71,600,327	69,193,904	69,487,247
Increase/(Decrease) in Fund Balance	1,039,307	6,273,860	4,261,369	(1,570,898)
Ending Fund Balance	$ 20,122,023	$ 19,082,716	$ 12,808,856	$ 8,547,487
Available Reserves [2]	$ 6,197,627	$ 6,669,060	$ 3,459,695	$ 2,057,412
Available Reserves as a Percentage of Total Outgo	8.81%	9.31%	5.00%	3.00%
Long-Term Liabilities	N/A	$ 224,661,489	$ 280,067,305	$ 203,205,800
K-12 Average Daily Attendance at P-2	4,489	4,643	6,231	6,231

The General Fund balance has increased by $10,535,229 over the past two years. The fiscal year 2022-2023 budget projects a further increase of $1,039,307 (5.45%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2022-2023 fiscal year. Total long-term liabilities have increased by $21,455,689 over the past two years.

Average daily attendance has decreased by 1,588 over the past two years. An additional decline of 154 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.
[3] General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Postemployment Benefits.

Name of Charter School	Charter Number	Included in Audit Report
Kinetic Academy	1812	No

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets				
Deposits and investments	$ 17,569	$ 122,827	$ 1,093,780	$ 257,744
Receivables	-	38	679,020	146
Due from other funds	-	1,629	7,388	-
Stores inventories	-	-	64,159	-
Total assets	$ 17,569	$ 124,494	$ 1,844,347	$ 257,890
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 34,605	$ 220,031	$ 5
Due to other funds	-	14,439	1,897	-
Unearned revenue	-	43,514	84,506	-
Total liabilities	-	92,558	306,434	5
Fund Balances				
Nonspendable	-	-	64,659	-
Restricted	17,569	31,936	1,473,254	257,885
Total fund balances	17,569	31,936	1,537,913	257,885
Total liabilities and fund balances	$ 17,569	$ 124,494	$ 1,844,347	$ 257,890

	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	$ 5,235,916	$ 3,783,246	$ 10,511,082
Receivables	30,665	3,247	713,116
Due from other funds	-	-	9,017
Stores inventories	-	-	64,159
Total assets	$ 5,266,581	$ 3,786,493	$ 11,297,374
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 95	$ -	$ 254,736
Due to other funds	-	-	16,336
Unearned revenue	-	-	128,020
Total liabilities	95	-	399,092
Fund Balances			
Nonspendable	-	-	64,659
Restricted	5,266,486	3,786,493	10,833,623
Total fund balances	5,266,486	3,786,493	10,898,282
Total liabilities and fund balances	$ 5,266,581	$ 3,786,493	$ 11,297,374

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues				
Federal sources	$ -	$ 24,000	$ 2,725,180	$ -
Other State sources	-	315,144	188,154	-
Other local sources	20,476	(1,906)	58,701	(3,384)
Total revenues	20,476	337,238	2,972,035	(3,384)
Expenditures				
Current				
Instruction	-	276,275	-	-
Instruction-related activities				
Supervision of instruction	-	30,527	-	-
School site administration	-	88	-	-
Pupil services				
Food services	-	411	2,010,716	-
All other pupil services	-	1,953	-	-
Administration				
All other administration	-	26,826	53,537	-
Plant services	-	10,482	2,689	-
Ancillary services	22,573	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	22,573	346,562	2,066,942	-
Net Change in Fund Balances	(2,097)	(9,324)	905,093	(3,384)
Fund Balance - Beginning	19,666	41,260	632,820	261,269
Fund Balance - Ending	$ 17,569	$ 31,936	$ 1,537,913	$ 257,885

	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	$ -	-	$ 2,749,180
Other State sources	-	22,327	525,625
Other local sources	1,500,016	5,107,687	6,681,590
Total revenues	1,500,016	5,130,014	9,956,395
Expenditures			
Current			
Instruction	-	-	276,275
Instruction-related activities			
Supervision of instruction	-	-	30,527
School site administration	-	-	88
Pupil services			
Food services	-	-	2,011,127
All other pupil services	-	-	1,953
Administration			
All other administration	32,645	-	113,008
Plant services	-	-	13,171
Ancillary services	-	-	22,573
Debt service			
Principal	-	2,425,000	2,425,000
Interest and other	-	5,137,781	5,137,781
Total expenditures	32,645	7,562,781	10,031,503
Net Change in Fund Balances	1,467,371	(2,432,767)	(75,108)
Fund Balance - Beginning	3,799,115	6,219,260	10,973,390
Fund Balance - Ending	$ 5,266,486	$ 3,786,493	$ 10,898,282

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

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of the COVID-19: ARP California State Preschool one-time stipend and Child Nutrition: Supply Chain Assistance (SCA) funds have been recorded in the current period as revenues that have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Total Federal Revenues reported on the financial statements		$ 9,365,701
COVID-19: ARP California State Preschool One-Time Stipend	93.575	(18,936)
Child Nutrition: Supply Chain Assistance (SCA)	10.555	(118,948)
Total federal financial assistance		$ 9,227,817

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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

Independent Auditor's Reports
June 30, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2022.

Adoption of New Accounting Standard

As discussed in Note 1 and Note 16 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 8, 2022.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2022

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

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2022

Independent Auditor's Report on State Compliance

Governing Board
Huntington Beach City School District
Huntington Beach, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on 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 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

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
Special Education Cluster (IDEA)	84.027, 84.173, 84.173A
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19: Governor's Emergency Education Relief II (GEER II) Fund	84.425C

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

State Compliance

Internal control over state compliance 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 programs	Unmodified

None reported.

None reported.

None reported.

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

Management
Huntington Beach City School District
Huntington Beach, California

In planning and performing our audit of the financial statements of Huntington Beach City School District (the District) for the year ended June 30, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 8, 2022, on the government-wide financial statements of the District.

Purchase Orders

Observation

- A listing of purchase orders that had approvals overridden and rerouted during the fiscal year 2021-2022 was reviewed. It was noted there was a total of 361 instances of this override with one individual accounting for 180 of these instances. Auditor reviewed 100% of those instances that pertained to this individual. For all 180 tested, it was noted the individual approved purchase orders multiple times with multiple roles. This individual was able to circumvent the purchase order approval process for a variety of purchase orders during the fiscal year.

Recommendation

- Auditor recommends that override control is monitored to ensure one individual cannot circumvent controls over the purchasing process. Monitoring should include reviewing the system user access functions in detail annually as well as when key personnel are no longer with the district, rotating the override function between key management personnel every year to ensure not one individual always has access, and lastly annually reviewing purchase order approval overrides to determine if any anomalies occurred during the fiscal year. Lastly, it is recommended that an individual with final approval for releasing warrants not have override function capabilities to the purchasing workflow final approval.

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District Response

- Huntington Beach City School District is committed to strengthening its internal controls. The District has already implemented the auditor's recommendations and provided training to administrators and fiscal services staff on internal controls and procedures.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 8, 2022