

**HUENEME ELEMENTARY SCHOOL DISTRICT  
VENTURA COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2023**



# HUENEME ELEMENTARY SCHOOL DISTRICT

*For the Fiscal Year Ended June 30, 2023*

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# HUENEME ELEMENTARY SCHOOL DISTRICT

*For the Fiscal Year Ended June 30, 2023*

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## *Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Hueneme Elementary School District  
Port Hueneme, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hueneme Elementary School District, as of and for the fiscal year ended June 30, 2023, 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 Hueneme Elementary School District, as of June 30, 2023, and the respective changes in financial position for the fiscal 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), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' 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.

#### *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.

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, 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, and the notes to the required supplementary information 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.



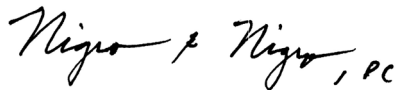
### ***Supplementary Information***

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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. 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, except for the LEA Organization Structure, 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 and other supplementary information listed in the table of contents, except for the LEA Organization Structure, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
November 30, 2023

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2023*

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This discussion and analysis of Hueneme Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$25.5 million, or 45.8%.
- Governmental expenses were about \$145.2 million. Revenues were about \$170.7 million.
- The District acquired approximately \$12.6 million in new capital assets during the year. These additions were incurred primarily from general obligation bonds.
- Governmental funds increased by \$11.1 million, or 18.6%.
- Reserves in the General Fund increased by \$576,577, or 15.9%.

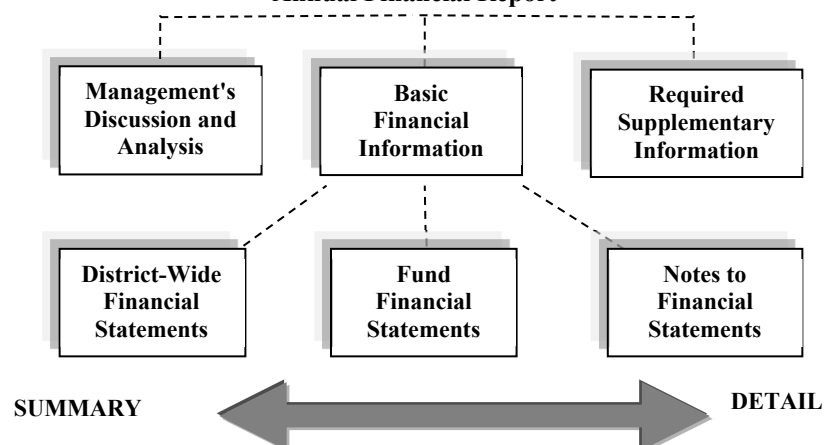
## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Hueneme Elementary School District's Annual Financial Report**



## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2023*

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#### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

##### **District-Wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

##### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

***Governmental funds*** – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

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#### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's combined net position was higher on June 30, 2023, than it was the year before – increasing 45.8% to \$(30.2) million (See Table A-1).

**Table A-1: Statement of Net Position**

	Governmental Activities		Variance
	2023	2022	Increase (Decrease)
<b>Assets</b>			
Current assets	\$ 85,620,422	\$ 79,931,671	\$ 5,688,751
Capital assets	65,512,523	56,268,807	9,243,716
<b>Total assets</b>	<u>151,132,945</u>	<u>136,200,478</u>	<u>14,932,467</u>
<b>Deferred outflows of resources</b>	<u>39,562,562</u>	<u>24,415,782</u>	<u>15,146,780</u>
<b>Liabilities</b>			
Current liabilities	15,553,272	21,002,052	(5,448,780)
Long-term liabilities	<u>184,350,344</u>	<u>147,536,286</u>	<u>36,814,058</u>
<b>Total liabilities</b>	<u>199,903,616</u>	<u>168,538,338</u>	<u>31,365,278</u>
<b>Deferred inflows of resources</b>	<u>21,010,995</u>	<u>47,789,993</u>	<u>(26,778,998)</u>
<b>Net position</b>			
Net investment in capital assets	12,164,858	12,443,104	(278,246)
Restricted	34,081,521	20,026,873	14,054,648
Unrestricted	<u>(76,465,483)</u>	<u>(88,182,048)</u>	<u>11,716,565</u>
<b>Total net position</b>	<u>\$ (30,219,104)</u>	<u>\$ (55,712,071)</u>	<u>\$ 25,492,967</u>

**Changes in net position, governmental activities.** The District's total revenues increased 23.3% to \$170.7 million (See Table A-2). The increase is due primarily to increased federal and state grants.

The total cost of all programs and services increased 21.6% to \$145.2 million. The District's expenses are predominantly related to educating and caring for students, 80.7%. The purely administrative activities of the District accounted for just 4.0% of total costs. A significant contributor to the increase in costs was negotiated salary increases.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2023</b>	<b>2022</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 308,544	\$ 184,127	\$ 124,417
Operating grants and contributions	59,528,611	38,846,261	20,682,350
General Revenues:			
Property taxes	14,865,816	14,920,812	(54,996)
Federal and state aid not restricted	93,407,923	83,646,112	9,761,811
Other general revenues	2,593,312	885,530	1,707,782
<b>Total Revenues</b>	<b>170,704,206</b>	<b>138,482,842</b>	<b>32,221,364</b>
<b>Expenses</b>			
Instruction-related	100,876,885	82,585,327	18,291,558
Pupil services	16,344,754	12,401,342	3,943,412
Administration	5,747,339	4,525,816	1,221,523
Plant services	12,898,157	9,837,511	3,060,646
All other activities	9,344,104	10,073,947	(729,843)
<b>Total Expenses</b>	<b>145,211,239</b>	<b>119,423,943</b>	<b>25,787,296</b>
Increase (decrease) in net position	\$ 25,492,967	\$ 19,058,899	\$ 6,434,068
<b>Net Position</b>	<b>\$ (30,219,104)</b>	<b>\$ (55,712,071)</b>	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$70.9 million, which is above last year's ending fund balance of \$59.8 million. The primary cause of the increased fund balance is a surplus in the General Fund, resulting from increased federal and state grants.

**Table A-3: The District's Fund Balances**

<b>Fund</b>	<b>Fund Balances</b>				
	<b>July 1, 2022</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Sources and (Uses)</b>	<b>June 30, 2023</b>
General Fund	\$ 33,086,858	\$ 164,355,144	\$ 145,138,357	\$ -	\$ 52,303,645
Cafeteria Fund	2,911,486	8,786,131	6,799,347	-	4,898,270
Building Fund	17,872,936	251,213	11,936,140	2,040,000	8,228,009
Capital Facilities Fund	79,768	80,321	65,799	-	94,290
Bond Interest and Redemption Fund	5,869,947	4,151,570	4,809,755	187,239	5,399,001
<b>Totals</b>	<b>\$ 59,820,995</b>	<b>\$ 177,624,379</b>	<b>\$ 168,749,398</b>	<b>\$ 2,227,239</b>	<b>\$ 70,923,215</b>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

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#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

##### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

1. Revenues – increased by \$19.6 million primarily to reflect federal and state budget actions.
2. Salaries and benefits costs – increased \$9.1 million due to increased costs.
3. Other non-personnel expenses – increased \$13.8 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$2.4 million, the actual results for the year show that revenues exceeded expenditures by roughly \$19.2 million. Actual revenues were \$4.2 million more than anticipated, and expenditures were \$17.4 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2023, that will be carried over into the 2023-24 budget.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

By the end of 2022-23 the District had acquired \$12.6 million in new capital assets related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$3.4 million.

**Table A-4: Capital Assets at Year End, Net of Depreciation**

	Governmental Activities		Variance
	2023	2022	Increase (Decrease)
Land	\$ 1,219,959	\$ 1,219,959	\$ -
Improvement of sites	4,590,808	4,961,461	(370,653)
Buildings	31,568,086	34,318,351	(2,750,265)
Equipment	4,997,042	879,524	4,117,518
Construction in progress	23,136,628	14,889,512	8,247,116
Total	<u>\$ 65,512,523</u>	<u>\$ 56,268,807</u>	<u>\$ 9,243,716</u>

##### Long-Term Debt

At year-end the District had \$184.4 million in long-term liabilities – an increase of 25.0% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2023*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2023</b>	<b>2022</b>	
General obligation bonds	\$ 65,613,813	\$ 66,174,893	\$ (561,080)
Compensated absences	891,718	739,005	152,713
Other postemployment benefits	26,186,087	26,036,270	149,817
Net pension liability	91,658,726	54,586,118	37,072,608
Total	<u>\$ 184,350,344</u>	<u>\$ 147,536,286</u>	<u>\$ 36,814,058</u>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

***State Budget***

The Legislature passed an initial budget package on June 15, 2023. The Legislature's budget package adopted LAO estimates of local property tax revenues, which resulted in an increase to the Proposition 98 guarantee by \$2.1 billion across 2022-23 and 2023-24. The legislative package used this additional funding primarily to help maintain previously approved programs. Relative to the May Revision, the Legislature's budget package also: (1) reallocated projected unspent funds in child care and State Preschool programs to increase provider rates and reduce family fees beginning October 1, 2023; (2) included a slightly different mix of reductions as the Governor from climate change-related packages (although a similar overall level); (3) restored \$1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and added flexibility to allow local agencies to use this funding for operations; (4) rejected the Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, instead using lease revenue bond financing to pay for these costs; and (5) accelerated the time line to spend funds for MCO tax-related augmentations to around four years from eight to ten years. The Legislature passed an amended budget act and associated trailer bills on June 27, 2023 and June 29, 2023.

**K-14 Education**

***Funds Modest Increase in School and Community College Funding***

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2022-23, the guarantee is down \$3 billion (2.7 percent) compared with the estimates made in June 2022. The decrease in the guarantee is primarily attributable to lower General Fund revenue estimates, somewhat offset by higher local property tax revenue. For 2023-24, the guarantee increases by \$953 million (0.9 percent) relative to the revised 2022-23 level. For 2023-24, projected increases in property tax revenue offset declines associated with lower General Fund revenue estimates.

***Increase in Required Reserve Deposits***

In certain circumstances, the Constitution requires the state to deposit some of the available Proposition 98 funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the state deposits a total of \$7.5 billion into this account across the 2021-22 through 2023-24 period—an increase of \$1.3 billion compared with the estimates made in June 2022. The higher required deposits are primarily due to revenue estimates from the administration that have capital gains accounting for a larger share of General Fund revenue over the period.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2023*

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

##### ***Provides Large COLA to School and Community College Districts***

In addition to the required reserve deposits, the budget package has several ongoing and one-time increases. The largest ongoing augmentation is \$4.8 billion to provide an 8.22 percent COLA for K-12 and community college programs. In K-12, the budget also includes \$300 million ongoing targeted to low-income schools with relatively high rates of student mobility within the school year, as well as \$250 million one time for literacy coaches and reading specialists.

##### ***Budget Has Notable K-14 Structural Gap***

The 2023-24 Proposition 98 spending level is not sufficient to fully fund all ongoing spending authorized in the budget package. To cover these costs, the budget package uses \$1.9 billion in one-time, prior-year funding to fund the primary school and community college funding formulas (\$1.6 billion for schools and \$290 million for California Community Colleges). Using one-time funds to cover ongoing costs creates a deficit in the Proposition 98 budget the following year.

##### ***Funds School Facilities Grants***

The 2022-23 budget package provided \$1.3 billion one-time non-Proposition 98 General Fund to cover the state share for new construction and modernization projects under the School Facility Program (SFP). The 2022-23 budget package also included intent language to provide an additional \$2.1 billion in 2023-24 and \$875 million in 2024-25. The budget provides about \$2 billion to the SFP in 2023-24, which is \$100 million less than the previously intended augmentation, and continues to assume an additional \$875 million will be provided in 2024-25. The budget also delays the intended \$550 million non-Proposition 98 General Fund increase to the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program from 2023-24 to 2024-25.

All of these factors were considered in preparing the Hueneme Elementary School District budget for the 2023-24 fiscal year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Patricia Marshall  
Chief Business Official  
Hueneme Elementary School District  
205 N. Ventura Road  
Port Hueneme, CA 93041  
(805) 488-3588



**HUENEME ELEMENTARY SCHOOL DISTRICT***Statement of Net Position**June 30, 2023*

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	Total Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 71,788,462
Accounts receivable	13,792,296
Prepaid expenses	4,250
Inventories	35,414
Capital assets:	
Non-depreciable capital assets	24,356,587
Depreciable capital assets	97,207,050
Less accumulated depreciation	(56,051,114)
Total assets	<u>151,132,945</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	36,417,698
Deferred outflows related to OPEB	2,262,635
Deferred amounts on refunding	<u>882,229</u>
Total deferred outflows of resources	<u>39,562,562</u>
<b>LIABILITIES</b>	
Accounts payable	10,419,420
Accrued interest payable	856,065
Unearned revenue	4,277,787
Noncurrent liabilities:	
Due or payable within one year	3,093,731
Due in more than one year:	
Other than OPEB and pensions	63,411,800
Total OPEB liability	26,186,087
Net pension liability	<u>91,658,726</u>
Total liabilities	<u>199,903,616</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	16,937,777
Deferred inflows related to OPEB	<u>4,073,218</u>
Total deferred inflows of resources	<u>21,010,995</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,164,858
Restricted for:	
Capital projects	94,290
Debt service	5,399,001
Categorical programs	28,588,230
Unrestricted	<u>(76,465,483)</u>
Total net position	<u>\$ (30,219,104)</u>

# HUENEME ELEMENTARY SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Instructional Services:				
Instruction	\$ 86,005,271	\$ -	\$ 39,063,802	\$ (46,941,469)
Instruction-Related Services:				
Supervision of instruction	5,986,887	-	1,421,963	(4,564,924)
Instructional library, media and technology	1,110,917	-	358,193	(752,724)
School site administration	7,773,810	-	294,879	(7,478,931)
Pupil Support Services:				
Home-to-school transportation	1,550,124	-	73,418	(1,476,706)
Food services	6,727,463	123,641	8,462,999	1,859,177
All other pupil services	8,067,167	58,082	6,127,762	(1,881,323)
General Administration Services:				
Data processing services	605,929	-	48,202	(557,727)
Other general administration	5,141,410	2,791	1,241,443	(3,897,176)
Plant services	12,898,157	23,549	2,406,495	(10,468,113)
Ancillary services	134,803	100,481	29,455	(4,867)
Community services	240	-	-	(240)
Interest on long-term debt	2,311,498	-	-	(2,311,498)
Other outgo	3,547,409	-	-	(3,547,409)
Depreciation (unallocated)	3,350,154	-	-	(3,350,154)
Total Governmental Activities	\$ 145,211,239	\$ 308,544	\$ 59,528,611	(85,374,084)
General Revenues:				
Property taxes				14,865,816
Federal and state aid not restricted to specific purpose				93,407,923
Interest and investment earnings				1,032,314
Miscellaneous				1,560,998
Total general revenues				110,867,051
Change in net position				25,492,967
Net position - July 1, 2022				(55,712,071)
Net position - June 30, 2023				\$ (30,219,104)

**HUENEME ELEMENTARY SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2023*

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 53,260,627	\$ 9,725,976	\$ 8,801,859	\$ 71,788,462
Accounts receivable	11,589,652	139,852	2,062,792	13,792,296
Due from other funds	125,061	-	2,426	127,487
Inventories	12,272	-	23,142	35,414
Prepaid expenditures	4,250	-	-	4,250
Total Assets	<u>\$ 64,991,862</u>	<u>\$ 9,865,828</u>	<u>\$ 10,890,219</u>	<u>\$ 85,747,909</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 8,408,004	\$ 1,637,819	\$ 373,597	\$ 10,419,420
Due to other funds	2,426	-	125,061	127,487
Unearned revenue	4,277,787	-	-	4,277,787
Total Liabilities	<u>12,688,217</u>	<u>1,637,819</u>	<u>498,658</u>	<u>14,824,694</u>
<b>Fund Balances</b>				
Nonspendable	27,522	-	23,142	50,664
Restricted	23,689,960	8,228,009	10,368,419	42,286,388
Committed	12,100,202	-	-	12,100,202
Assigned	12,275,163	-	-	12,275,163
Unassigned	4,210,798	-	-	4,210,798
Total Fund Balances	<u>52,303,645</u>	<u>8,228,009</u>	<u>10,391,561</u>	<u>70,923,215</u>
Total Liabilities and Fund Balances	<u>\$ 64,991,862</u>	<u>\$ 9,865,828</u>	<u>\$ 10,890,219</u>	<u>\$ 85,747,909</u>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023*

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**Total fund balances - governmental funds** \$ 70,923,215

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	121,563,637	
Accumulated depreciation:	<u>(56,051,114)</u>	
Net:		65,512,523

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (856,065)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 882,229

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	65,613,813	
Compensated absences payable	891,718	
Other postemployment benefits payable	26,186,087	
Net pension liability	<u>91,658,726</u>	
Total		(184,350,344)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to pensions are reported as follows:

Deferred outflows of resources relating to pensions	36,417,698	
Deferred inflows of resources relating to pensions	<u>(16,937,777)</u>	
Total		19,479,921

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to OPEB are reported as follows:

Deferred outflows of resources relating to OPEB	2,262,635	
Deferred inflows of resources relating to OPEB	<u>(4,073,218)</u>	
Total		<u>(1,810,583)</u>

**Total net position - governmental activities** \$ (30,219,104)

**HUENEME ELEMENTARY SCHOOL DISTRICT****Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 101,318,913	\$ -	\$ -	\$ 101,318,913
Federal sources	12,455,045	-	6,167,732	18,622,777
Other state sources	40,465,727	-	2,482,597	42,948,324
Other local sources	10,115,459	251,213	4,367,693	14,734,365
Total Revenues	164,355,144	251,213	13,018,022	177,624,379
<b>EXPENDITURES</b>				
Current:				
Instructional Services:				
Instruction	95,853,506	-	-	95,853,506
Instruction-Related Services:				
Supervision of instruction	6,595,717	-	-	6,595,717
Instructional library, media and technology	948,712	-	-	948,712
School site administration	8,445,500	-	-	8,445,500
Pupil Support Services:				
Home-to-school transportation	1,555,268	-	-	1,555,268
Food services	217,331	-	6,604,929	6,822,260
All other pupil services	8,717,878	-	-	8,717,878
Ancillary services	134,803	-	-	134,803
General Administration Services:				
Data processing services	605,929	-	-	605,929
Other general administration	5,261,582	-	-	5,261,582
Plant services	12,443,338	-	110,114	12,553,452
Community services	235	-	-	235
Transfers of indirect costs	(125,061)	-	125,061	-
Capital Outlay	936,210	11,746,140	25,042	12,707,392
Intergovernmental Transfers	3,547,409	-	-	3,547,409
Debt Service:				
Costs of issuance	-	190,000	-	190,000
Principal	-	-	2,227,718	2,227,718
Interest	-	-	2,582,037	2,582,037
Total Expenditures	145,138,357	11,936,140	11,674,901	168,749,398
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	19,216,787	(11,684,927)	1,343,121	8,874,981
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt - general obligation bonds	-	2,000,000	-	2,000,000
Premium on debt issuance	-	40,000	187,239	227,239
Total Other Financing Sources and Uses	-	2,040,000	187,239	2,227,239
Net Change in Fund Balances	19,216,787	(9,644,927)	1,530,360	11,102,220
Fund Balances, July 1, 2022	33,086,858	17,872,936	8,861,201	59,820,995
Fund Balances, June 30, 2023	\$ 52,303,645	\$ 8,228,009	\$ 10,391,561	\$ 70,923,215

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2023*

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**Total net change in fund balances - governmental funds** \$ 11,102,220

Amounts reported for governmental activities in the statement of activities are different because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, the cost of capital assets are allocated over their estimated useful life as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	12,593,870	
Depreciation expense:	(3,350,154)	
Net:		9,243,716

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,227,718

In governmental funds, proceeds from issuance of long-term debt are reported as other financing sources. In the government wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, including issue premium were: (2,227,239)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. 339,981

In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premiums for the period is: 220,620

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: (98,134)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 35,311

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis costs and actual employer contributions was: 5,675,695

In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was: (152,713)

In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (874,208)

**Change in net position of governmental activities** \$ 25,492,967

# HUENEME ELEMENTARY SCHOOL DISTRICT

## *Notes to Financial Statements*

*June 30, 2023*

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hueneme Elementary School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### **A. Reporting Entity**

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, 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 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 organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

#### **B. Basis of Presentation, Basis of Accounting**

##### **1. Basis of Presentation**

##### **District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

##### **Fund Financial Statements**

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. 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. The District also reports funds held for student activities in the General Fund.

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

###### Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are established 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.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

**Capital Projects Funds:** Capital projects funds are established 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:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code* Sections 15125-15262).



# HUENEME ELEMENTARY SCHOOL DISTRICT

## *Notes to Financial Statements*

*June 30, 2023*

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **B. Basis of Presentation, Basis of Accounting (continued)**

##### **2. Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### **3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

# HUENEME ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the Board of Education to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District Board of Education satisfied these requirements. 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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

#### D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

##### 1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

##### 2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

##### 3. Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

##### 4. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and improvements	20-50 years
Furniture and equipment	5-10 years

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 5. Unearned Revenue

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

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

###### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate Section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate Section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

###### 7. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

###### 8. Leases

###### Lessee:

At the commencement of a lease, the District initially 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, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2023*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 8. Leases (continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

###### Lessor:

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.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

###### 9. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2023*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

###### **9. Subscription-Based Information Technology Arrangements (continued)**

The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

###### **10. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

###### **11. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

###### **12. Fund Balances**

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2023*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 12. Fund Balances (continued)

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

###### 13. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### F. Minimum Fund Balance Policy

The District does not have a written minimum fund balance policy. To protect against revenue shortfalls and unexpected one-time expenditures, the District has maintained a reserve for economic uncertainties consisting of unassigned amounts equivalent to 3% of budgeted General Fund expenditures and other financing uses. These amounts represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

##### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Governmental funds/activities	<u>\$ 71,788,462</u>
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Deposits and investments as of June 30, 2023 consist of the following:

Cash in revolving fund	\$ 11,000
Investments	<u>71,777,462</u>
Total deposits and investments	<u>\$ 71,788,462</u>

##### Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2023, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

##### Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2023, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

##### Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2023, consist of the following:

	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
Ventura County Investment Pool	\$ 71,777,462	\$ 71,777,462	\$ -	Uncategorized	N/A

##### Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2023, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

##### Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District did not have any investments outside of the County Treasury investment pool.



## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

##### Fair Value Measurements

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

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

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

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

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

#### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:				
Child nutrition programs	\$ -	\$ -	\$ 1,351,863	\$ 1,351,863
Categorical aid programs	6,630,174	-	-	6,630,174
State Government:				
LCFF	11,751	-	-	11,751
Child nutrition programs	-	-	599,230	599,230
Lottery	433,292	-	-	433,292
Categorical aid programs	3,155,072	-	-	3,155,072
Local:				
Interest	683,094	139,852	92,825	915,771
Miscellaneous	676,269	-	18,874	695,143
Total	<u>\$ 11,589,652</u>	<u>\$ 139,852</u>	<u>\$ 2,062,792</u>	<u>\$ 13,792,296</u>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 4 – INTERFUND TRANSACTIONS

##### Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2023, consisted of the following:

General Fund due to Cafeteria Fund to cover special event orders and snacks	\$	2,426
Cafeteria Fund due to General Fund for indirect costs		<u>125,061</u>
Total	\$	<u>127,487</u>

#### NOTE 5 – FUND BALANCES

At June 30, 2023, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 11,000	\$ -	\$ -	\$ 11,000
Stores inventories	12,272	-	23,142	35,414
Prepaid expenditures	4,250	-	-	4,250
Total Nonspendable	<u>27,522</u>	<u>-</u>	<u>23,142</u>	<u>50,664</u>
Restricted:				
Categorical programs	23,689,960	-	-	23,689,960
Child nutrition programs	-	-	4,875,128	4,875,128
Capital projects	-	8,228,009	94,290	8,322,299
Debt service	-	-	5,399,001	5,399,001
Total Restricted	<u>23,689,960</u>	<u>8,228,009</u>	<u>10,368,419</u>	<u>42,286,388</u>
Committed:				
Instruction, facilities, tech programs	12,100,202	-	-	12,100,202
Total Committed	<u>12,100,202</u>	<u>-</u>	<u>-</u>	<u>12,100,202</u>
Assigned:				
Instruction, facilities, tech programs	8,328,971	-	-	8,328,971
Enrollment volatility	3,946,192	-	-	3,946,192
Total Assigned	<u>12,275,163</u>	<u>-</u>	<u>-</u>	<u>12,275,163</u>
Unassigned:				
Reserve for economic uncertainties	4,210,798	-	-	4,210,798
Total Unassigned	<u>4,210,798</u>	<u>-</u>	<u>-</u>	<u>4,210,798</u>
Total	<u>\$ 52,303,645</u>	<u>\$ 8,228,009</u>	<u>\$ 10,391,561</u>	<u>\$ 70,923,215</u>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

#### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022	Additions	Retirements	Balance, June 30, 2023
Capital assets not being depreciated:				
Land	\$ 1,219,959	\$ -	\$ -	\$ 1,219,959
Construction in progress	14,889,512	11,186,824	2,939,708	23,136,628
Total capital assets not being depreciated	16,109,471	11,186,824	2,939,708	24,356,587
Capital assets being depreciated:				
Improvement of sites	11,255,182	158,027	-	11,413,209
Buildings	78,238,061	-	-	78,238,061
Equipment	3,409,723	4,188,727	42,670	7,555,780
Total capital assets being depreciated	92,902,966	4,346,754	42,670	97,207,050
Accumulated depreciation for:				
Improvement of sites	(6,293,721)	(528,680)	-	(6,822,401)
Buildings	(43,919,710)	(2,750,265)	-	(46,669,975)
Equipment	(2,530,199)	(71,209)	(42,670)	(2,558,738)
Total accumulated depreciation	(52,743,630)	(3,350,154)	(42,670)	(56,051,114)
Total capital assets being depreciated, net	40,159,336	996,600	-	41,155,936
Governmental activity capital assets, net	\$ 56,268,807	\$ 12,183,424	\$ 2,939,708	\$ 65,512,523

#### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the fiscal year ended June 30, 2023, were as follows:

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 59,222,955	\$ 2,000,000	\$ 2,227,718	\$ 58,995,237	\$ 2,293,554
Accreted Interest	3,495,891	302,301	642,282	3,155,910	551,446
Unamortized Issuance Premium	3,456,047	227,239	220,620	3,462,666	248,731
Total - G.O. Bonds	66,174,893	2,529,540	3,090,620	65,613,813	3,093,731
Compensated Absences	739,005	152,713	-	891,718	-
Totals	\$ 66,913,898	\$ 2,682,253	\$ 3,090,620	\$ 66,505,531	\$ 3,093,731

The postemployment healthcare benefits and compensated absences are liquidated by the funds recording the associated salary expense. The general obligation bonds are liquidated through property tax collections as administered by the County through the Bond Interest and Redemption Fund.

#### General Obligation Bonds

##### Election of 1997

On March 4, 1997, the voters of the District approved a measure authorizing the District to issue up to \$4.7 million of general obligation bonds for the purpose of renovating and modernizing school facilities.

## **HUENEME ELEMENTARY SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2023*

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#### **NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)**

##### **Election of 2000**

On June 6, 2000, the voters of the District approved a measure authorizing the District to issue up to \$6.95 million of general obligation bonds for the purpose of repairing, renovating and modernizing three elementary schools and two junior high schools.

##### **Election of 2004**

On November 2, 2004, the voters of the District approved a measure by a 74% affirmative vote authorizing the District to issue up to \$17.1 million of general obligation bonds for the purpose of repairing, renovating and modernizing three elementary schools and two junior high schools and to improve pedestrian safety in school parking lots.

##### **Election of 2012 (Measure T)**

On November 6, 2012, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$19.6 million of general obligation bonds. The Bonds were issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Bonds, and to pay certain costs of issuing the Bonds.

##### **Election of 2018 (Measure B)**

On June 5, 2018, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$34.2 million of general obligation bonds. The Bonds were issued to improve the quality of education; upgrade, modernize, and construct classrooms, restrooms and school facilities; repair or replace leaky roofs; renovate plumbing, sewer, and build new classrooms.

##### **Defeasance of Debt**

The District has defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, the principal balance outstanding on the defeased debt amounted to \$5,680,000.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2023, deferred amounts on refunding were \$882,229.

##### **Bond Payments**

The Bonds are general obligations of the District, payable solely from ad valorem property taxes. The County of Ventura is empowered and obligated to annually levy such ad valorem property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due.

# HUENEME ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2023

### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### General Obligation Bonds (continued)

#### Bond Payments (continued)

A summary of all bonds issued and outstanding at June 30, 2023 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Issuances	Redemptions	Balance, June 30, 2023
<b>Election of 1997</b>								
Series A	6/18/1998	6/1/2023	4.40% - 5.40%	\$ 2,085,011	\$ 102,824	\$ -	\$ 102,824	\$ -
Series B	5/6/1999	5/1/2024	4.20% - 5.20%	2,611,156	199,696	-	68,254	131,442
<b>Election of 2000</b>								
Series B	6/18/2002	6/1/2027	4.00% - 5.73%	3,563,545	550,439	-	101,640	448,799
<b>Election of 2004</b>								
Series B	8/9/2007	8/1/2032	4.00% - 6.859%	7,599,996	1,469,996	-	-	1,469,996
<b>Election of 2012</b>								
Series A	5/6/2013	8/1/2037	3.00% - 5.00%	4,000,000	105,000	-	50,000	55,000
Series B	2/3/2015	8/1/2039	2.00% - 5.00%	11,000,000	6,240,000	-	205,000	6,035,000
Series C	6/28/2017	8/1/2029	2.00% - 4.00%	4,600,000	3,275,000	-	330,000	2,945,000
<b>Election of 2018</b>								
Series A	6/11/2019	8/1/2044	3.00% - 5.00%	12,000,000	9,735,000	-	150,000	9,585,000
Series B	9/30/2020	8/1/2045	2.50% - 4.00%	20,200,000	20,200,000	-	-	20,200,000
Series C	6/14/2023	8/1/2032	5.00%	2,000,000	-	2,000,000	-	2,000,000
<b>Refunding Bonds</b>								
2011 Ref.	10/11/2011	8/1/2025	2.00% - 5.00%	3,980,000	1,040,000	-	240,000	800,000
2014 Ref.	5/2/2014	8/1/2029	3.25%	8,700,000	6,065,000	-	565,000	5,500,000
2017 Ref.	6/28/2017	8/1/2029	2.00% - 4.00%	4,675,000	3,580,000	-	325,000	3,255,000
2020 Ref.	9/30/2020	8/1/2039	0.389%-2.739%	6,795,000	6,660,000	-	90,000	6,570,000
					<u>\$ 59,222,955</u>	<u>\$ 2,000,000</u>	<u>\$ 2,227,718</u>	<u>\$ 58,995,237</u>
<b>Accreted Interest:</b>					Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Election of 1997, Ser. A					\$ 262,320	\$ 14,856	\$ 277,176	\$ -
Election of 1997, Ser. B					444,621	28,090	156,746	315,965
Election of 2000, Ser. B					1,106,323	86,750	208,360	984,713
Election of 2004, Ser. B					1,682,627	172,605	-	1,855,232
					<u>\$ 3,495,891</u>	<u>\$ 302,301</u>	<u>\$ 642,282</u>	<u>\$ 3,155,910</u>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

#### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

##### General Obligation Bonds (continued)

##### Bond Payments (continued)

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Totals
2023-2024	\$ 2,293,554	\$ 2,650,879	\$ 4,944,433
2024-2025	2,407,706	2,282,732	4,690,438
2025-2026	2,644,991	2,202,827	4,847,818
2026-2027	2,668,989	2,373,667	5,042,656
2027-2028	2,735,000	1,769,959	4,504,959
2028-2033	11,714,997	11,264,702	22,979,699
2033-2038	12,110,000	4,923,306	17,033,306
2038-2043	13,505,000	2,338,133	15,843,133
2043-2046	8,915,000	351,863	9,266,863
Totals	<u>\$ 58,995,237</u>	<u>\$ 30,158,068</u>	<u>\$ 89,153,305</u>

#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2023, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 25,765,857	\$ 2,262,635	\$ 4,073,218	\$ 1,979,000
MPP Program	420,230	-	-	(65,170)
Totals	<u>\$ 26,186,087</u>	<u>\$ 2,262,635</u>	<u>\$ 4,073,218</u>	<u>\$ 1,913,830</u>

The details of each plan are as follows:

##### District Plan

##### *Plan Description*

The District's single-employer defined benefit OPEB plan offers medical and prescription drug benefits to its employees and retirees through Gold Coast Joint Benefits Trust. Dental and vision coverages are also offered through Gold Coast. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

##### *Benefits Provided*

Certificated, Classified, Certificated Management, Classified Management, and Confidential employees who have attained age 55 and completed at least 15 years of continuous service with the District immediately prior to retirement are eligible to receive District-paid medical and prescription drug coverage for the retiree and eligible dependents up to a District cap, which is \$18,504 annually. Retirees may elect dental and vision coverage and are responsible for the full cost of premiums for those coverages, if elected. Classified employees who are less than 50% full-time do not earn eligibility for District-paid retiree health benefits. District-paid benefits end at age 65.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### District Plan (continued)

##### *Employees Covered By Benefit Terms*

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	53
Active employees	677
Total	<u>730</u>

##### *Total OPEB Liability*

The District's total OPEB liability of \$25,765,857 for the Plan was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023.

##### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

##### *Discount Rate*

The discount rate of 3.65% is based on the Bond Buyer 20-bond General Obligation Index.

##### *Mortality Rates*

Mortality rates were based on the 2020 CalSTRS and 2021 CalPERS mortality tables.

##### **Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2022</b>	<u>\$ 25,550,870</u>
<b>Changes for the year:</b>	
Service cost	1,183,012
Interest	907,039
Differences between expected and actual experience	(575,022)
Changes of assumptions	(260,420)
Benefit payments	<u>(1,039,622)</u>
Net changes	<u>214,987</u>
<b>Balance at June 30, 2023</b>	<u><u>\$ 25,765,857</u></u>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### District Plan (continued)

##### ***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 percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease	\$ 27,707,101
Current discount rate	\$ 25,765,857
1% increase	\$ 23,928,771

##### ***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 22,942,649
Current trend rate	\$ 25,765,857
1% increase	\$ 29,080,345

##### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,979,000. In addition, at June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 374,661	\$ 1,533,682
Changes of assumptions	1,887,974	2,539,536
Totals	\$ 2,262,635	\$ 4,073,218

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 439,918	\$ 550,969
2025	439,918	550,969
2026	439,918	550,969
2027	439,913	550,969
2028	325,121	299,712
Thereafter	177,847	1,569,630
Totals	\$ 2,262,635	\$ 4,073,218



## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### Medicare Premium Payment (MPP) Program

###### **Plan Description**

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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, 2021 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

###### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2022, 4,770 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, 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.

###### **Total OPEB Liability**

At June 30, 2023, the District reported a liability of \$420,230 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Proportion of the Net OPEB Liability	0.127570%	0.121696%	0.005875%

For the year ended June 30, 2023, the District reported OPEB expense of \$(65,170).

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### Medicare Premium Payment (MPP) Program (continued)

###### *Actuarial Assumptions and Other Inputs*

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

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population of 145,282.

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

###### *Discount Rate*

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, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2022, was 3.54%, which is an increase of 1.38% from 2.16% as of June 30, 2021.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### Medicare Premium Payment (MPP) Program (continued)

###### *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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Discount Rate	MPP OPEB Liability
	1% decrease	\$ 560,872
	Current discount rate	420,230
	1% increase	387,413

###### *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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	Medicare Cost Trend Rates	MPP OPEB Liability
	1% decrease	\$ 385,577
	Current trend rate	420,230
	1% increase	459,511

#### NOTE 9 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated 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, 2023, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 59,064,228	\$ 17,103,731	\$ 9,665,413	\$ 7,639,630
CalPERS	32,594,498	19,313,967	7,272,364	4,097,592
Totals	<u>\$ 91,658,726</u>	<u>\$ 36,417,698</u>	<u>\$ 16,937,777</u>	<u>\$ 11,737,222</u>

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

##### A. 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, 2021, 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: <https://www.calstrs.com/general-information/gasb-6768>.

###### 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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 and obligor of the trust. In addition, the state is both an employer and non-employer 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, 2023, are summarized as follows:

	<b>STRP Defined Benefit Program</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 9 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

###### Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively—provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2023, are presented above, and the District's total contributions were \$10,252,715.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	59,064,228
State's proportionate share of the net pension liability associated with the District		29,579,134
Total	\$	<u>88,643,362</u>

The net pension liability was measured as of June 30, 2022. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.085002%	0.080960%	0.004042%

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

#### NOTE 9 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2023, the District recognized pension expense of \$7,639,630. In addition, the District recognized pension expense and revenue of \$(2,212,304) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 10,252,715	\$ -
Net change in proportionate share of net pension liability	3,873,409	2,348,474
Difference between projected and actual earnings on pension plan investments	-	2,888,355
Changes of assumptions	2,929,156	-
Differences between expected and actual experience	48,451	4,428,584
Totals	\$ 17,103,731	\$ 9,665,413

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 3,263,646	\$ 3,446,037
2025	834,299	3,672,141
2026	695,109	4,811,163
2027	659,706	(3,852,202)
2028	468,777	1,020,091
Thereafter	929,479	568,183
Totals	\$ 6,851,016	\$ 9,665,413

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 9 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

###### Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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 our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs 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 expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 9 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

###### Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. 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 expenses occur midyear. Based on those 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 the 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%)	\$ 100,312,965
Current discount rate (7.10%)	59,064,228
1% increase (8.10%)	24,815,374

###### 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 pursuant to Sections 22954, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$4,745,108.

##### B. California Public Employees Retirement System (CalPERS)

###### Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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, 2021 annual actuarial valuation report, Schools Pool Accounting Report. 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/employers/actuarial-resources/gasb>.



## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 9 – PENSION PLANS (continued)

##### B. California Public Employees Retirement System (CalPERS) (continued)

###### 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, 2023, are summarized as follows:

	<b>Schools Pool (CalPERS)</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

###### Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are presented above, and the total District contributions were \$4,627,400.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

#### NOTE 9 – PENSION PLANS (continued)

##### B. California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$32,594,498. The net pension liability was measured as of June 30, 2022. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.094726%	0.087256%	0.007471%

For the year ended June 30, 2023, the District recognized pension expense of \$4,097,592. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 4,627,400	\$ -
Net change in proportionate share of net pension liability	2,111,825	293,616
Difference between projected and actual earnings on pension plan investments	10,016,278	6,167,754
Changes of assumptions	2,411,156	-
Differences between expected and actual experience	147,308	810,994
Totals	\$ 19,313,967	\$ 7,272,364

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.9 years.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

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#### NOTE 9 – PENSION PLANS (continued)

##### B. California Public Employees Retirement System (CalPERS) (continued)

###### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 4,218,827	\$ 2,482,106
2025	4,019,858	2,419,629
2026	3,625,726	2,370,629
2027	2,822,156	-
2028	-	-
Thereafter	-	-
Totals	<u>\$ 14,686,567</u>	<u>\$ 7,272,364</u>

###### **Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2023

---

#### NOTE 9 – PENSION PLANS (continued)

##### B. California Public Employees Retirement System (CalPERS) (continued)

###### Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

###### Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the 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 (5.9%)	\$ 47,084,402
Current discount rate (6.9%)	32,594,498
1% increase (7.9%)	20,619,124

##### C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

##### D. Payables to the Pension Plans

At June 30, 2023, the District reported payables of \$48,283 and \$440,529 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2023*

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#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

##### **B. Construction Commitments**

As of June 30, 2023, the District had commitments with respect to unfinished capital projects of nearly \$4.5 million.

##### **C. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2023.

#### **NOTE 11 – RISK MANAGEMENT**

The District participates in two joint powers agreement (JPA) entities, the Ventura County Schools' Self-Funding Authority (VCSFA) and Gold Coast Joint Benefits Trust (GCJBT).

VCSFA provided workers' compensation, property and liability coverage for its member school district through a varying combination of self-insurance and excess coverage. The District pays a premium commensurate with the level of coverage requested.

GCJBT arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influences by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. VCSFA and GCJBT maintain their own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes.

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*Required Supplementary Information*

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**HUENEME ELEMENTARY SCHOOL DISTRICT***Budgetary Comparison Schedule – General Fund**For the Fiscal Year Ended June 30, 2023*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Pos (Neg)</b>
<b>Revenues</b>				
LCFF Sources	\$ 93,128,335	\$ 101,455,536	\$ 101,318,913	\$ (136,623)
Federal Sources	14,725,660	15,393,727	12,455,045	(2,938,682)
Other State Sources	25,493,220	33,683,112	40,465,727	6,782,615
Other Local Sources	7,216,622	9,593,025	10,115,459	522,434
Total Revenues	140,563,837	160,125,400	164,355,144	4,229,744
<b>Expenditures</b>				
Current:				
Certificated Salaries	51,027,104	56,569,985	55,989,781	580,204
Classified Salaries	16,123,444	18,208,149	18,856,774	(648,625)
Employee Benefits	29,129,758	30,617,989	35,070,381	(4,452,392)
Books and Supplies	14,738,633	15,196,750	8,900,859	6,295,891
Services and Other Operating Expenditures	25,026,411	36,367,174	21,537,401	14,829,773
Transfers of indirect costs	(197,456)	(208,869)	(125,061)	(83,808)
Capital Outlay	180,000	2,040,391	1,360,813	679,578
Intergovernmental	3,602,821	3,732,817	3,547,409	185,408
Total Expenditures	139,630,715	162,524,386	145,138,357	17,386,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	933,122	(2,398,986)	19,216,787	21,615,773
Fund Balances, July 1, 2022	25,150,152	33,086,858	33,086,858	-
Fund Balances, June 30, 2023	\$ 26,083,274	\$ 30,687,872	\$ 52,303,645	\$ 21,615,773

The actual amounts reported in this schedule include \$4,745,108 recorded as State revenue and employee benefits expenditures for the STRS On-Behalf contributions, but which were not included in the budget.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*  
*For the Fiscal Year Ended June 30, 2023*

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	<i>Last Ten Fiscal Years*</i>				
	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
District's proportion of the net pension liability	0.0850%	0.0810%	0.0838%	0.0841%	0.0836%
District's proportionate share of the net pension liability	\$ 59,064,228	\$ 36,843,149	\$ 81,217,719	\$ 76,000,914	\$ 76,823,475
State's proportionate share of the net pension liability associated with the District	29,579,134	18,538,044	41,867,744	41,463,572	43,985,033
Totals	<u>\$ 88,643,362</u>	<u>\$ 55,381,193</u>	<u>\$ 123,085,463</u>	<u>\$ 117,464,486</u>	<u>\$ 120,808,508</u>
District's covered-employee payroll	<u>\$ 49,224,249</u>	<u>\$ 44,185,516</u>	<u>\$ 46,014,579</u>	<u>\$ 46,035,983</u>	<u>\$ 44,784,421</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.99%	88.29%	176.50%	165.09%	171.54%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
District's proportion of the net pension liability	0.0833%	0.0820%	0.0820%	0.0690%
District's proportionate share of the net pension liability	\$ 77,012,630	\$ 66,322,420	\$ 55,205,680	\$ 40,321,530
State's proportionate share of the net pension liability associated with the District	45,560,021	37,761,729	29,197,641	24,348,125
Totals	<u>\$ 122,572,651</u>	<u>\$ 104,084,149</u>	<u>\$ 84,403,321</u>	<u>\$ 64,669,655</u>
District's covered-employee payroll	<u>\$ 43,985,429</u>	<u>\$ 41,878,000</u>	<u>\$ 37,390,000</u>	<u>\$ 34,189,000</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.09%	158.37%	147.65%	117.94%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*  
*For the Fiscal Year Ended June 30, 2023*

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	<i>Last Ten Fiscal Years*</i>				
	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
District's proportion of the net pension liability	0.0947%	0.0873%	0.0883%	0.0879%	0.0892%
District's proportionate share of the net pension liability	\$ 32,594,498	\$ 17,742,969	\$ 27,085,610	\$ 25,614,128	\$ 23,777,959
District's covered-employee payroll	\$ 14,571,584	\$ 12,567,754	\$ 12,902,449	\$ 12,207,120	\$ 11,807,192
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.69%	134.50%	209.93%	209.83%	201.39%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
		<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
District's proportion of the net pension liability		0.0891%	0.0883%	0.0805%	0.0779%
District's proportionate share of the net pension liability		\$ 21,275,636	\$ 17,439,305	\$ 11,865,779	\$ 8,843,547
District's covered-employee payroll		\$ 11,401,447	\$ 10,597,000	\$ 8,974,000	\$ 8,177,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		186.60%	164.57%	132.22%	108.15%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2023*

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	<i>Last Ten Fiscal Years*</i>				
	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
Contractually required contribution	\$ 10,252,715	\$ 8,328,744	\$ 7,135,961	\$ 7,868,493	\$ 7,494,658
Contributions in relation to the contractually required contribution	10,252,715	8,328,744	7,135,961	7,868,493	7,494,658
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 53,679,137	\$ 49,224,249	\$ 44,185,516	\$ 46,014,579	\$ 46,035,983
Contributions as a percentage of covered-employee payroll	19.10%	16.92%	16.15%	17.10%	16.28%

	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 6,462,392	\$ 5,533,367	\$ 4,493,597	\$ 3,320,260
Contributions in relation to the contractually required contribution	6,462,392	5,533,367	4,493,597	3,320,260
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 44,784,421	\$ 43,985,429	\$ 41,878,000	\$ 37,390,000
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2023*

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	<i>Last Ten Fiscal Years*</i>				
	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 4,627,400	\$ 3,338,350	\$ 2,601,525	\$ 2,544,492	\$ 2,204,850
Contributions in relation to the contractually required contribution	<u>4,627,400</u>	<u>3,338,350</u>	<u>2,601,525</u>	<u>2,544,492</u>	<u>2,204,850</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 18,239,653</u>	<u>\$ 14,571,584</u>	<u>\$ 12,567,754</u>	<u>\$ 12,902,449</u>	<u>\$ 12,207,120</u>
Contributions as a percentage of covered-employee payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution		\$ 1,833,775	\$ 1,583,433	\$ 1,255,444	\$ 1,056,313
Contributions in relation to the contractually required contribution		<u>1,833,775</u>	<u>1,583,433</u>	<u>1,255,444</u>	<u>1,056,313</u>
Contribution deficiency (excess):		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		<u>\$ 11,807,192</u>	<u>\$ 11,401,447</u>	<u>\$ 10,597,000</u>	<u>\$ 8,974,000</u>
Contributions as a percentage of covered-employee payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

# HUENEME ELEMENTARY SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2023

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
<b>Total OPEB liability</b>						
Service cost	\$ 1,183,012	\$ 1,464,654	\$ 1,118,976	\$ 1,086,384	\$ 930,396	\$ 1,043,926
Interest	907,039	593,326	569,926	801,238	862,540	791,281
Differences between expected and actual experience	(575,022)	-	398,402	138,055	(2,261,323)	-
Changes of assumptions or other inputs	(260,420)	(2,764,790)	144,269	2,377,606	1,033,168	-
Benefit payments	(1,039,622)	(957,600)	(725,109)	(863,164)	(778,691)	(777,429)
<b>Net change in total OPEB liability</b>	214,987	(1,664,410)	1,506,464	3,540,119	(213,910)	1,057,778
<b>Total OPEB liability - beginning</b>	25,550,870	27,215,280	25,708,816	22,168,697	22,382,607	21,324,829
<b>Total OPEB liability - ending</b>	<u>\$ 25,765,857</u>	<u>\$ 25,550,870</u>	<u>\$ 27,215,280</u>	<u>\$ 25,708,816</u>	<u>\$ 22,168,697</u>	<u>\$ 22,382,607</u>
<b>Covered-employee payroll</b>	<u>\$ 67,124,581</u>	<u>\$ 65,328,060</u>	<u>\$ 63,579,620</u>	<u>\$ 61,877,976</u>	<u>\$ 60,075,705</u>	<u>\$ 58,884,316</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>38.4%</u>	<u>39.1%</u>	<u>42.8%</u>	<u>41.5%</u>	<u>36.9%</u>	<u>38.0%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**HUENEME ELEMENTARY SCHOOL DISTRICT***Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2023**Last Ten Fiscal Years\**

<b>Employer's Fiscal Year</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
<b>Measurement Period</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
District's proportion of net OPEB liability	0.1276%	0.1217%	0.1270%	0.1301%	0.1314%	0.1325%
District's proportionate share of net OPEB liability	\$ 420,230	\$ 485,400	\$ 538,255	\$ 484,337	\$ 503,137	\$ 557,605
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2023*

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#### 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 adoptions 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 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.

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuations for either CalSTRS and CalPERS.

***Change of assumptions*** - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

##### **Schedule of District Contributions**

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

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

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

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuation.

***Change of assumptions*** – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.



## HUENEME ELEMENTARY SCHOOL DISTRICT

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2023*

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### NOTE 1 – PURPOSE OF SCHEDULES (continued)

#### **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. 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.

*Change in benefit terms* – There were no changes in benefit terms since the previous valuation.

*Change of assumptions* – The discount rate was changed from 2.16 percent to 3.54 percent since the previous valuation.

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*Supplementary Information*

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## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Local Educational Agency Organization Structure*

*June 30, 2023*

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The Hueneme Elementary School District was established in 1873 and consists of an area comprising approximately eight square miles, including the City of Port Hueneme, a small portion of the City of Oxnard, and adjacent unincorporated territory in Ventura County. The District operates nine elementary schools and two junior high schools. There were no boundary changes during the year.

<b>BOARD OF EDUCATION</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Charles Weis, Ph.D.	President	December 2026
Darlene A. Bruno	Clerk	December 2024
Siugen Constanza	Board Member	December 2024
Bexy I. Gomez	Board Member	December 2026
Daisy Sampablo	Board Member	December 2026

### **DISTRICT ADMINISTRATORS**

Dr. Christine Walker,  
*Superintendent*

Dr. Carlos Dominguez<sup>1</sup>,  
*Deputy Superintendent, Human Resources*

Helen Cosgrove,  
*Associate Superintendent, Educational Services*

David Ragsdale,  
*Associate Superintendent, Technology and Strategic Operations*

Patricia Marshall,  
*Chief Business Official*

<sup>1</sup>Resigned effective June 30, 2023. The current Assistant Superintendent of Human Resources is David Castellano.

**HUENEME ELEMENTARY SCHOOL DISTRICT***Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2023*

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	<b>Second Period Report</b>	<b>Annual Report</b>
<b>Regular ADA &amp; Extended Year:</b>		
TK/Grades K-3	2,782.71	2,795.81
Grades 4-6	2,290.64	2,289.34
Grades 7-8	1,521.29	1,515.54
Total Regular & Extended YearADA	6,594.64	6,600.69

**HUENEME ELEMENTARY SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2023*

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Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	40,230	180	Complied
Grade 1	50,400	50,400	180	Complied
Grade 2	50,400	50,400	180	Complied
Grade 3	50,400	50,400	180	Complied
Grade 4	54,000	54,195	180	Complied
Grade 5	54,000	54,195	180	Complied
Grade 6	54,000	54,226	180	Complied
Grade 7	54,000	54,642	180	Complied
Grade 8	54,000	54,642	180	Complied

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Schedule of Financial Trends and Analysis*

*For the Fiscal Year Ended June 30, 2023*

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General Fund	(Budget) 2024 <sup>2</sup>	2023 <sup>3</sup>	2022 <sup>3</sup>	2021 <sup>3</sup>
Revenues and other financing sources	\$ 155,813,323	\$ 164,355,144	\$ 134,826,538	\$ 120,822,876
Expenditures	159,481,110	145,138,357	126,347,409	109,770,784
Change in fund balance (deficit)	(3,667,787)	19,216,787	8,479,129	11,052,092
Ending fund balance	\$ 48,635,858	\$ 52,303,645	\$ 33,086,858	\$ 24,607,729
Available reserves <sup>1</sup>	\$ 4,784,434	\$ 4,210,798	\$ 3,634,221	\$ 3,150,978
Available reserves as a percentage of total outgo	3.0%	2.9%	2.9%	2.9%
Total long-term debt	\$ 181,256,613	\$ 184,350,344	\$ 147,536,286	\$ 206,391,874
Average daily attendance at P-2	6,731	6,595	6,612	N/A

The General Fund balance has increased by \$27.7 million over the past two years. The fiscal year 2023-24 adopted budget projects a decrease of \$3.7 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in all of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Long-term debt has decreased by \$22.0 million over the past two years.

Average daily attendance decreased by 17 since the prior year. In 2023-24, ADA is projected to increase by 198.

<sup>1</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

<sup>2</sup> Revised Final Budget September, 2023

<sup>3</sup> Although the District reports available reserves of only 2.9%, which is less than the 3% recommended by the State, it has nearly \$12.3 million in "assigned" fund balance categories that can be moved if necessary to meet future financial obligations.



**HUENEME ELEMENTARY SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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	<u>General Fund</u>
June 30, 2023, annual financial and budget report (SACS) fund balances	\$ 50,994,474
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable underreported	<u>1,309,171</u>
June 30, 2023, audited financial statement fund balances	<u><u>\$ 52,303,645</u></u>

**HUENEME ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2023*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
Especially Needy Breakfast	10.553	13526	\$ 1,551,693	
National School Lunch Program	10.555	13523	4,025,564	
USDA Donated Foods	10.555	N/A	418,039	
Supply Chain Assistance (SCA) Funds	10.555	15655	172,436	
Total Child Nutrition Cluster				\$ 6,167,732
Total U.S. Department of Agriculture				6,167,732
U.S. Department of Education:				
Federal Impact Aid	84.041	N/A		313,318
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies Fund:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,601,817	
School Improvement Funding for LEAs	84.010	15438	392,101	
Subtotal Title I Grants Fund				2,993,918
Title II, Part A, Teacher Quality Improvement	84.367	14341		332,180
Title III, Limited English Proficiency	84.365	14346		549,827
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		152,432
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	599,810	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	2,140,583	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	2,297,560	
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	918,913	
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	210,899	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	217,072	
American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425U	15566	14,104	
Subtotal Education Stabilization Fund				6,398,941
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	1,528,002	
IDEA Preschool Grants, Part B, Section 619	84.173	13430	101,727	
Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	84,700	
Total Special Education (IDEA) Cluster				1,714,429
Total U.S. Department of Education				12,455,045
Total Expenditures of Federal Awards				\$ 18,622,777

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Note to the Supplementary Information*

*June 30, 2023*

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#### **NOTE 1 – PURPOSE OF SCHEDULES**

##### **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**

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

##### **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.

##### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

##### **Schedule of Expenditures of Federal Awards**

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' 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**

Board of Education  
Hueneme Elementary School District  
Port Hueneme, California

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

**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.

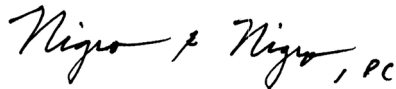
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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Murrieta, California  
November 30, 2023





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Hueneme Elementary School District  
Port Hueneme, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Hueneme Elementary School District's 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 Hueneme Elementary School District's major federal programs for the year ended June 30, 2023. The Hueneme Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hueneme Elementary School District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Hueneme Elementary School 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 Hueneme Elementary School 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 Hueneme Elementary School District's federal program

### ***Auditors' 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 Hueneme Elementary School 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 generally accepted auditing standards, 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 Hueneme Elementary School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 Hueneme Elementary School 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 Hueneme Elementary School 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 Hueneme Elementary School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

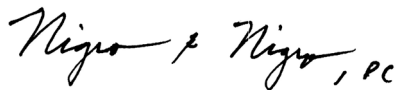
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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

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

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

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Murrieta, California  
November 30, 2023

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education  
Hueneme Elementary School District  
Port Hueneme, California

### Report on Compliance

#### *Opinion*

We have audited the Hueneme Elementary School District's (District) compliance with the requirements specified in the *2022-23 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, 2023.

In our opinion, Hueneme Elementary School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

#### *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 *2022-23 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 Hueneme Elementary School District's state programs.

#### *Auditors' 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 *2022-23 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 *2022-23 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 *2022-23 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:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Not Applicable

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
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	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Areas marked as “Not Applicable” were not operated by the District.

We did not perform testing for independent study because the ADA was below the level that requires testing.

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 in the audit.

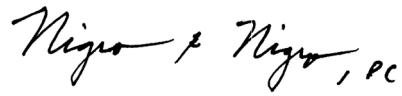
### ***Report on Internal Control over Compliance***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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Murrieta, California  
November 30, 2023



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*Schedule of Findings and Questioned Costs*

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## HUENEME ELEMENTARY SCHOOL DISTRICT

### Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2023

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#### Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516(a)?	Yes
Identification of major programs:	
Assistance Listing Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.425C, 84.425D, and 84.425U	Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

#### State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified
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## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Financial Statement Findings*

*For the Fiscal Year Ended June 30, 2023*

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This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

*There were no financial statement findings in 2022-23.*

## HUENEME ELEMENTARY SCHOOL DISTRICT

### *Federal Award Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2023*

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This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

#### **Finding 2023-001: Procurement (50000)**

**Assistance Listing: #10.553 and 10.555**

**Federal Grantor: U.S. Department of Agriculture**

**Pass-Through Agency: California Department of Education**

**Program Name: Child Nutrition Cluster**

**Criteria:** Code of Federal Regulations, CRF 200.320, require the non-Federal entity to have and use documented procurement procedures, consistent with the standards of this section and § 200.317, 200.318, and 200.319 for the acquisition of property or services required under a Federal award or sub-award. For “small purchases,” those where the aggregate dollar amount is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.

**Condition:** During our testing of procurement, we sampled two contracts that would qualify as “small purchases.” The District could not provide evidence that multiple quotes had been obtained prior to selecting one of the two vendors.

**Cause:** There was a lack of oversight to ensure that the District is in compliance with Public Contract Code and that purchases are awarded after a reasonable number of quotes have been obtained.

**Context:** The deficiency was noted in one of two contracts tested.

**Effect:** This resulted in roughly \$11,500 being awarded in contracts without following proper procedures.

**Questioned Costs:** \$11,500

**Recommendation:** We recommend that the District train and implement the required federal procurement procedures to ensure that the District is in compliance.

**Views of Responsible Officials:** The District is aware of the “small purchases” or micro-purchase thresholds. The Business Office has met with the Child Nutrition Director and discussed the importance of following the Public Contract Code and obtaining a reasonable number of quotes before making these purchases. The District will continue training personnel to ensure that we remain in compliance.

**HUENEME ELEMENTARY SCHOOL DISTRICT**

*State Award Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2023*

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This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no state award findings or questioned costs in 2022-23.*

## HUENEME ELEMENTARY SCHOOL DISTRICT

### Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

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Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2022-001: Attendance Accounting</i>	<p>California Education Code Section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter. Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.</p> <p>During our review of ADA reported to CDE, we noted the following errors: <i>Annual Report of Attendance</i></p> <ul style="list-style-type: none"><li>• The District overstated ADA (Line A-4) by 7.63 ADA.</li></ul> <p>The total ADA by grade span for non-compliance is documented in the Schedule of ADA in the supplementary information section.</p>	10000	We recommend that the District take greater care when preparing attendance report, and assign someone to review the reports prior to submission to CDE.	Implemented

