



Financial Statements
June 30, 2023

Downey Unified School District



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Independent Auditor's Report

To the Governing Board
Downey Unified School District
Downey, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downey Unified School District (the 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 as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Downey Unified School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. As a result of implementing the standard, there was no effect on the governmental activities beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability – CalSTRS, schedule of the District's proportionate share of the net pension liability – CalPERS, the schedule of the District's contributions – CalSTRS and the schedule of the District's contributions – CalPERS, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 15, 2023



Downey Unified School District

Gallegos Administration Center

11627 Brookshire Avenue, P.O. Box 7017, Downey, California 90241-7017

(562) 469-6500, FAX: (562) 469-6515

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This section of Downey Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total District-wide assets for governmental activities were \$896,529,384. The net capital assets and net right-to-use subscription IT assets are \$441,646,202, which accounts for 49.3% of our total assets.
- The District's overall revenues in the *Statement of Activities* were \$516,644,638 and expenditures were \$460,993,876.
- Total District-wide liabilities for the District are \$862,924,471, which includes long-term liabilities of \$806,926,797. These long-term liabilities include general obligation bonds, compensated absences, claims liability, other postemployment benefits, pensions, retirement incentive plans, and subscription-based IT arrangements.
- The Internal Service Fund had operating revenues totaling \$29,506,774 and operating expenditures of \$30,597,470.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

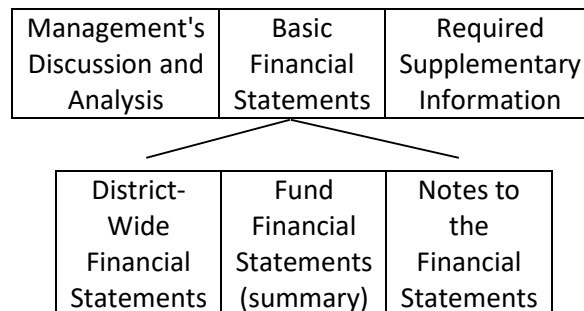
The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

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 financial statements.

The *Governmental Funds* tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.

Proprietary Funds statements offer short-term and long-term financial information about the activities the District operates such as our self-insurance funds.

The financial statements also include notes that explain some of the financial information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The following chart visually shows the flow of these financial statements:



DISTRICT-WIDE FINANCIAL STATEMENTS

The District-wide financial statements report information about the District as a whole using the full accrual accounting method similar to that used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statements of Activities regardless of when cash is received or paid.

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

The District-wide financial statements report the District's *activities* 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 and 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 (such as repaying its long-term liabilities) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 less financial resources that can be spent into the near future to finance the District's programs. Because this information does not include the additional long-term focus of the District-wide financial statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship (or differences) between them.

The District's Internal Service Fund: (Which is a Proprietary Fund) reports activities that provide services for the District's other programs and activities. The District currently has one internal service fund which reports the activity of four sub-funds, including the workers' compensation fund, health insurance fund, dental fund, and vision fund. The activity between these funds and the government funds is consolidated within the District-wide financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position as a whole is \$77,326,853 for the year ended June 30, 2023. This is comprised of total assets and deferred outflows of resources of \$1,026,155,436 less liabilities and deferred inflows of resources of \$948,828,583. (See Table 1)

Table 1

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 454,883,182	\$ 289,606,379
Capital assets and right-to-use subscription IT assets	441,646,202	417,627,704
Total assets	896,529,384	707,234,083
Deferred outflows of resources	129,626,052	108,758,863
Liabilities		
Current liabilities	55,997,674	47,048,464
Long-term liabilities	806,926,797	574,795,404
Total liabilities	862,924,471	621,843,868
Deferred inflows of resources	85,904,112	172,472,987
Net Position		
Net investment in capital assets	175,327,118	174,013,496
Restricted	208,329,870	147,306,396
Unrestricted (deficit)	(306,330,135)	(299,643,801)
Total net position	\$ 77,326,853	\$ 21,676,091

The \$(306,330,135) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The District's total revenues of \$516,644,638 was more than expenditures by \$55,650,762. District revenues consist of General Revenues including property taxes and Federal and State aid not restricted for specific purposes that together makes up 59% of the District's total revenues. Operating and Capital Grants make up another 39% of the total revenues. The remainder is comprised of charges for services and sales and other miscellaneous revenues that include investment interest, as well as the change in fair market value of the District's investment in the County Treasury pool.

The District's total expenditures are related predominately to the care and education of its students (approximately 76% in direct instruction and pupil services). The administrative costs of the District account for about 4% of total costs. See Table 2 for the Changes in Net Position Statement.

Table 2

	Governmental Activities	
	2023	2022
Revenues		
Program revenues		
Charges for services and sales	\$ 12,410,619	\$ 9,673,502
Operating grants and contributions	199,004,664	133,057,359
Capital grants and contributions	2,074,063	1,433,452
General revenues		
Federal and State aid not restricted	232,288,109	202,617,683
Property taxes	65,556,855	60,559,388
Other general revenues	5,310,328	(592,495)
Total revenues	<u>516,644,638</u>	<u>406,748,889</u>
Expenses		
Instruction-related	304,342,544	252,670,810
Pupil services	47,793,737	40,234,262
Administration	19,824,836	17,040,274
Plant services	27,054,854	29,301,449
All other services	61,977,905	42,834,009
Total expenses	<u>460,993,876</u>	<u>382,080,804</u>
Change in net position	<u>\$ 55,650,762</u>	<u>\$ 24,668,085</u>

GOVERNMENTAL ACTIVITIES

Table 3 presents the cost of the major District activities: instruction-related, pupil services, administration, plant services, and all other services.

Net Costs of Governmental Activities

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction-related	\$ 304,342,544	\$ 252,670,810	\$ 156,114,615	\$ 162,231,416
Pupil services	47,793,737	40,234,262	13,096,800	14,106,832
Administration	19,824,836	17,040,274	15,984,742	15,001,091
Plant services	27,054,854	29,301,449	26,489,440	28,800,439
All other services	61,977,905	42,834,009	35,818,933	17,776,713
Total	<u>\$ 460,993,876</u>	<u>\$ 382,080,804</u>	<u>\$ 247,504,530</u>	<u>\$ 237,916,491</u>

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The District has sufficient fund balance in the General Fund to absorb significant deficit spending in the short term and still maintain a sound fiscal position. In 2013-2014 the new Local Control Funding Formula (LCFF) was implemented by the State to calculate each District's revenue apportionment, replacing the Revenue Limit Calculation model. The LCFF is a State apportionment funding formula based on grade level and/or targeted student populations. The District successfully negotiated for a 10.00% salary increase with all the employee unions. The District projects deficit spending over the next fiscal year, and even with deficit spending, the District is confident that it will maintain a healthy fund balance. However, in order to maintain fiscal solvency, the District is planning on making one-time transfers from various sources over the next three years. The LCFF funding model and the Local Control Accountability Plan continue to enable all educational partners to participate in providing Downey USD students with a 21st Century education that ensures they are college and career ready, globally competitive and citizens of strong character.

THE DISTRICT'S FUNDS

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
General	\$ 75,769,151	\$ 447,350,377	\$ 394,411,781	\$ 128,707,747
Special Education Pass-Through	-	27,749,555	27,749,555	-
Building	20,255,966	120,633,997	21,540,614	119,349,349
Student Activity	1,452,945	4,100,344	3,757,862	1,795,427
Adult Education	5,554,560	7,856,425	8,883,541	4,527,444
Cafeteria	14,840,262	20,632,537	15,045,142	20,427,657
Deferred Maintenance	6,727,636	3,367,769	3,067,956	7,027,449
Capital Facilities	2,217,683	646,978	170,935	2,693,726
County School Facilities	25,592,078	2,074,063	5,225,616	22,440,525
Special Reserve Fund for Capital Outlay Projects	14,608,134	1,204,240	2,341,159	13,471,215
Bond Interest and Redemption	13,327,011	22,857,952	19,994,641	16,190,322
Total	<u>\$ 180,345,426</u>	<u>\$ 658,474,237</u>	<u>\$ 502,188,802</u>	<u>\$ 336,630,861</u>

General Fund Budgetary Highlights

The District has revised the annual operating budget several times during the course of the school year. A schedule showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in our annual report on page 68.

CAPITAL ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES

Capital Assets and Right-to-Use Subscription IT Assets

At June 30, 2023, the District had \$441,646,202 in a broad range of capital assets and right-to-use subscription IT assets (net of depreciation and amortization), including land, buildings, furniture, and equipment, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$24,018,498, or 6%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022
Land and construction in progress	\$ 233,963,432	\$ 209,675,931
Buildings and improvements	199,523,219	201,160,311
Equipment	7,889,907	6,791,462
Right-to-use subscription IT assets	269,644	-
Total	<u>\$ 441,646,202</u>	<u>\$ 417,627,704</u>

We present more detailed information in Note 4 to the financial statements.

Long-Term Liabilities

At the end of the 2022-2023 fiscal year, the District had a \$806,926,797 in long-term liabilities. There is more detailed information in Note 9, Note 10, Note 12, and Note 13 to the financial statements.

Table 6

	Governmental Activities	
	2023	2022
Long-Term Liabilities		
General obligation bonds	\$ 374,404,901	\$ 255,913,859
Unamortized debt premiums	14,147,794	10,451,108
Retirement incentive plans	10,690,724	1,957,548
Compensated absences	2,942,118	3,007,180
Claims liability	15,326,469	15,326,469
Subscription-based IT arrangements	125,769	-
Aggregate net OPEB liability	117,086,382	122,809,119
Aggregate net pension liabilities	272,202,640	165,330,121
Total	<u>\$ 806,926,797</u>	<u>\$ 574,795,404</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2023-2024 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. The LCFF State apportionment revenue based on student enrollment, average daily attendance (ADA), and targeted populations will result in increased revenue for the District.
2. The fiscal year 2022-2023 LCFF provided District apportionment revenue in the amount of \$277,574,057; the annual LCFF entitlement per ADA for the District is \$12,927.50
3. In the 2022-2023 year, the District recognized and posted a journal entry to recognize the STRS amount covered by the State on behalf of the District. The net effect increased State revenues and expenditures by approximately \$13.7 million; the 2022-2023 adopted budget included an equivalent entry in the amount of \$13.3 million.
4. Zero increase for most other State and Federal funding
5. Continued lack of Federal efforts to fund its appropriate share of Special Education
6. Increase in student enrollment for the 2023-2024 school year was projected at the same level than prior year.
7. The cost of healthcare increased from \$32.3 million in the prior year to \$36.2 million in 2022-2023
8. The cost of the CalPERS and CalSTRS retirement systems, increased from \$45.8 million in the prior year to \$56.4 million in 2022-2023. This increase includes a \$400 thousand increase in the State CalSTRS on behalf contribution.
9. The District finalized the modernization projects funded by the \$248 million bond passed in November 2014.
10. To keep schools safe and up to date, the District place Measure K on the November 8, 2022 ballot. As approved by voters, Measure K will provide \$504 million in locally controlled bond funding. During the 2022-2023 school year, the District issued the first "Series A" in the amount of \$125 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 questions about this report or need some additional financial information, please contact the Financial Services Department, Downey Unified School District, at 11627 Brookshire Avenue, Downey, California 90241.

Downey Unified School District
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 417,607,333
Receivables	27,515,495
Prepaid expense	223,345
Stores inventories	898,167
Other current assets	25,301
Lease receivable	8,557,958
Interest on lease receivable	55,583
Capital assets not depreciated	233,963,432
Capital assets, net of accumulated depreciation	207,413,126
Right-to-use subscription IT assets, net of accumulated amortization	<u>269,644</u>
Total assets	<u>896,529,384</u>
Deferred Outflows of Resources	
Deferred charge on refunding	303,371
Deferred outflows of resources related to OPEB	43,894,090
Deferred outflows of resources related to pensions	<u>85,428,591</u>
Total deferred outflows of resources	<u>129,626,052</u>
Liabilities	
Accounts payable	47,086,769
Interest payable	4,328,838
Unearned revenue	4,582,067
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	10,593,867
Long-term liabilities other than OPEB and pensions due in more than one year	407,043,908
Aggregate net other postemployment benefits (OPEB) liability	117,086,382
Aggregate net pension liabilities	<u>272,202,640</u>
Total liabilities	<u>862,924,471</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	47,930,005
Deferred inflows of resources related to pensions	29,360,566
Deferred inflows of resources related to leases	<u>8,613,541</u>
Total deferred inflows of resources	<u>85,904,112</u>
Net Position	
Net investment in capital assets	175,327,118
Restricted for	
Debt service	11,861,484
Capital projects	25,134,251
Educational programs	95,070,455
Other restrictions	76,263,680
Unrestricted (deficit)	<u>(306,330,135)</u>
Total net position	<u>\$ 77,326,853</u>

Downey Unified School District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 267,572,696	\$ 7,735,326	\$ 124,731,868	\$ 2,074,063	\$ (133,031,439)
Instruction-related activities					
Supervision of instruction	10,061,466	431,069	4,340,471	-	(5,289,926)
Instructional library, media, and technology	2,773,633	-	828,385	-	(1,945,248)
School site administration	23,934,749	153,297	7,933,450	-	(15,848,002)
Pupil services					
Home-to-school transportation	3,745,742	45,371	194,643	-	(3,505,728)
Food services	15,655,566	645,252	22,289,182	-	7,278,868
All other pupil services	28,392,429	449,650	11,072,839	-	(16,869,940)
Administration					
Data processing	6,638,326	4,324	2,275,479	-	(4,358,523)
All other administration	13,186,510	17,304	1,542,987	-	(11,626,219)
Plant services	27,054,854	-	565,414	-	(26,489,440)
Ancillary services	5,101,831	-	4,160,875	-	(940,956)
Enterprise services	10,731,777	-	-	-	(10,731,777)
Interest on long-term liabilities	10,585,479	-	-	-	(10,585,479)
Other outgo	35,558,818	2,929,026	19,069,071	-	(13,560,721)
Total governmental activities	<u>\$ 460,993,876</u>	<u>\$ 12,410,619</u>	<u>\$ 199,004,664</u>	<u>\$ 2,074,063</u>	<u>(247,504,530)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					50,507,420
Property taxes, levied for debt service					14,562,504
Taxes levied for other specific purposes					486,931
Federal and State aid not restricted to specific purposes					232,288,109
Interest and investment earnings (loss)					(188,782)
Miscellaneous					5,499,110
Subtotal, general revenues and subventions					<u>303,155,292</u>
Change in Net Position					55,650,762
Net Position - Beginning					<u>21,676,091</u>
Net Position - Ending					<u>\$ 77,326,853</u>

Downey Unified School District
Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Special Education Pass-Through Fund	Building Fund	Total Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 143,952,960	\$ 6,305,661	\$ 121,686,716	\$ 85,249,224	\$ 357,194,561
Receivables	19,978,816	1,377,812	342,917	5,312,978	27,012,523
Prepaid expenditures	223,345	-	-	-	223,345
Stores inventories	745,465	-	-	152,702	898,167
Lease receivable	8,613,541	-	-	-	8,613,541
Other current assets	25,301	-	-	-	25,301
Total assets	\$ 173,539,428	\$ 7,683,473	\$ 122,029,633	\$ 90,714,904	\$ 393,967,438
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 31,826,075	\$ 7,683,473	\$ 2,680,284	\$ 1,951,137	\$ 44,140,969
Unearned revenue	4,392,065	-	-	190,002	4,582,067
Total liabilities	36,218,140	7,683,473	2,680,284	2,141,139	48,723,036
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	8,613,541	-	-	-	8,613,541
Fund Balances					
Nonspendable	1,018,810	-	-	157,772	1,176,582
Restricted	95,070,455	-	119,349,349	74,944,778	289,364,582
Assigned	-	-	-	13,471,215	13,471,215
Unassigned	32,618,482	-	-	-	32,618,482
Total fund balances	128,707,747	-	119,349,349	88,573,765	336,630,861
Total liabilities, deferred inflows of resources, and fund balances	\$ 173,539,428	\$ 7,683,473	\$ 122,029,633	\$ 90,714,904	\$ 393,967,438

Downey Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$ 336,630,861
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 604,977,254
Accumulated depreciation is	<u>(163,600,696)</u>
Net capital assets	441,376,558
Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of right-to-use subscription IT assets is	388,192
Accumulated amortization is	<u>(118,548)</u>
Net right-to-use subscription IT assets	269,644
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.	(4,328,838)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program and other programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.	42,643,475
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to	
Debt refundings (deferred charge on refunding)	303,371
Aggregate net other postemployment benefits (OPEB) liability	43,894,090
Aggregate net pension liabilities	<u>85,428,591</u>
Total deferred outflows of resources	129,626,052
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to	
Aggregate net other postemployment benefits (OPEB) liability	(47,930,005)
Aggregate net pension liabilities	<u>(29,360,566)</u>
Total deferred inflows of resources	(77,290,571)
Aggregate net pension liabilities is not due and payable in the current period, and is not reported as a liability in the funds.	(272,202,640)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(117,086,382)

Downey Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of

General obligation bonds (including premiums)	\$ (385,846,035)
Retirement incentive plans	(10,690,724)
Compensated absences	(2,942,118)
Subscription-based IT arrangements	(125,769)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(2,706,660)

Total long-term liabilities	<u>\$ (402,311,306)</u>
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Total net position - governmental activities	<u><u>\$ 77,326,853</u></u>
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Downey Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	General Fund	Special Education Pass-Through Fund	Building Fund
Revenues			
Local Control Funding Formula	\$ 277,574,056	\$ -	\$ -
Federal sources	32,768,345	6,029,548	-
Other State sources	113,761,342	21,720,007	-
Other local sources	22,858,442	-	(4,366,003)
Total revenues	<u>446,962,185</u>	<u>27,749,555</u>	<u>(4,366,003)</u>
Expenditures			
Current			
Instruction	265,389,664	-	-
Instruction-related activities			
Supervision of instruction	10,418,975	-	-
Instructional library, media, and technology	2,883,008	-	-
School site administration	25,534,622	-	-
Pupil services			
Home-to-school transportation	3,647,777	-	-
Food services	511,381	-	-
All other pupil services	29,023,862	-	-
Administration			
Data processing	6,473,220	-	-
All other administration	12,443,547	-	-
Plant services	26,009,394	-	-
Ancillary services	1,423,364	-	-
Other outgo	3,556,485	27,749,555	-
Enterprise services	1,024,876	-	-
Facility acquisition and construction	2,471,574	-	20,424,268
Debt service			
Principal	262,423	-	-
Interest and other	5,609	-	1,116,346
Total expenditures	<u>391,079,781</u>	<u>27,749,555</u>	<u>21,540,614</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>55,882,404</u>	<u>-</u>	<u>(25,906,617)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources - proceeds from SBITAs	388,192	-	-
Other sources - proceeds from sale of bonds	-	-	125,000,000
Transfers out	(3,332,000)	-	-
Net Financing Sources (Uses)	<u>(2,943,808)</u>	<u>-</u>	<u>125,000,000</u>
Net Change in Fund Balances	52,938,596	-	99,093,383
Fund Balance - Beginning	<u>75,769,151</u>	<u>-</u>	<u>20,255,966</u>
Fund Balance - Ending	<u>\$ 128,707,747</u>	<u>\$ -</u>	<u>\$ 119,349,349</u>

Downey Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	\$ -	\$ 277,574,056
Federal sources	14,958,774	53,756,667
Other State sources	10,841,591	146,322,940
Other local sources	29,515,165	48,007,604
Total revenues	<u>55,315,530</u>	<u>525,661,267</u>
Expenditures		
Current		
Instruction	5,511,137	270,900,801
Instruction-related activities		
Supervision of instruction	176,926	10,595,901
Instructional library, media, and technology	-	2,883,008
School site administration	2,616,521	28,151,143
Pupil services		
Home-to-school transportation	-	3,647,777
Food services	14,801,866	15,313,247
All other pupil services	258,613	29,282,475
Administration		
Data processing	-	6,473,220
All other administration	592,471	13,036,018
Plant services	3,142,521	29,151,915
Ancillary services	3,757,862	5,181,226
Other outgo	4,172,778	35,478,818
Enterprise services	-	1,024,876
Facility acquisition and construction	7,634,294	30,530,136
Debt service		
Principal	6,975,000	7,237,423
Interest and other	8,846,863	9,968,818
Total expenditures	<u>58,486,852</u>	<u>498,856,802</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,171,322)</u>	<u>26,804,465</u>
Other Financing Sources (Uses)		
Transfers in	3,252,000	3,252,000
Other sources - proceeds from SBITAs	-	388,192
Other sources - proceeds from sale of bonds	4,172,778	129,172,778
Transfers out	-	(3,332,000)
Net Financing Sources (Uses)	<u>7,424,778</u>	<u>129,480,970</u>
Net Change in Fund Balances	4,253,456	156,285,435
Fund Balance - Beginning	<u>84,320,309</u>	<u>180,345,426</u>
Fund Balance - Ending	<u>\$ 88,573,765</u>	<u>\$ 336,630,861</u>

Downey Unified School District

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

Total Net Change in Fund Balances - Governmental Funds \$ 156,285,435

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

Capital outlays to purchase or build capital assets and right-to-use subscription IT assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation and amortization expenses in the period.

Capital outlays	\$ 33,624,132
Depreciation and amortization expense	<u>(9,475,197)</u>

Net expense adjustment	24,148,935
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was	(466,042)
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(130,437)
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Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(388,192)
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In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.	65,062
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In the Statement of Activities, certain operating expenses, such as special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Retirement incentive benefits paid were more than amounts earned during the year.	(8,733,176)
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Downey Unified School District

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

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liabilities during the year.	\$ 14,200,941
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year.	(7,597,594)
Proceeds received from General Obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(125,000,000)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(4,172,778)
Premium amortization	476,092
Deferred charge on refunding amortization	(42,046)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	6,975,000
Subscription-based IT arrangements	262,423
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(584,665)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	351,804
Change in net position of governmental activities	<u>\$ 55,650,762</u>

Downey Unified School District
Statement of Net Position - Proprietary Fund
June 30, 2023

	<u>Governmental Activities Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 60,412,772
Receivables	<u>502,972</u>
Total current assets	<u>60,915,744</u>
Liabilities	
Current liabilities	
Accounts payable	<u>2,945,800</u>
Noncurrent liabilities	
Claims liabilities	<u>15,326,469</u>
Total liabilities	<u>18,272,269</u>
Net Position	
Restricted for insurance claims	<u><u>\$ 42,643,475</u></u>

Downey Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2023

	Governmental Activities Internal Service Fund
	<u>Service Fund</u>
Operating Revenues	
Charges to other funds and miscellaneous revenues	<u>\$ 29,506,774</u>
Operating Expenses	
Payroll costs	1,875,839
Other operating cost	<u>28,721,631</u>
Total operating expenses	<u>30,597,470</u>
Operating Loss	<u>(1,090,696)</u>
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(119,279)
Interest income	<u>1,481,779</u>
Total nonoperating revenues (expenses)	<u>1,362,500</u>
Income before transfers	271,804
Transfers in	<u>80,000</u>
Change in Net Position	351,804
Total Net Position - Beginning	<u>42,291,671</u>
Total Net Position - Ending	<u><u>\$ 42,643,475</u></u>

Downey Unified School District
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2023

	Governmental Activities Internal Service Fund
Operating Activities	
Cash receipts from customers	\$ 28,638,516
Other operating cash receipts	868,258
Cash payments to suppliers for goods and services	(1,875,839)
Cash payments for claims	(24,487,373)
Net Cash From Operating Activities	<u>3,143,562</u>
Noncapital Financing Activities	
Transfers from other funds	<u>80,000</u>
Investing Activities	
Interest on investments	1,091,021
Change in fair value of investments	(119,279)
Net Cash From Investing Activities	<u>971,742</u>
Net Change in Cash and Cash Equivalents	4,195,304
Cash and Cash Equivalents, Beginning	<u>56,217,468</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 60,412,772</u></u>
Reconciliation of Operating Loss to Net Cash From Operating Activities	
Operating loss	\$ (1,090,696)
Changes in assets and liabilities	
Due from other fund	1,606,617
Accounts payable	2,627,641
Net Cash From Operating Activities	<u><u>\$ 3,143,562</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Downey Unified School District (the District) was unified in 1961, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates thirteen elementary schools, four middle schools, two high schools, one adult education school, one continuation high school, and a community day school.

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

Tax Exempt Status

The Downey Unified School District is a public educational institution. Public schools are considered to be a political subdivision of the State of California and are therefore tax exempt. Any contribution to a political subdivision of a governmental agency is considered to be a deductible charitable contribution as long as it is used for the public good (Internal Revenue Code Section 170(c)).

The Internal Revenue Code Section 170(c) defines charitable contribution as a contribution or gift to or for the use of a State, a possession of the United States, or any political subdivision of any of the foregoing of the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has one component unit that meets this definition. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, Entity, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The District formed the Downey Unified School Facilities Finance Authority (the Authority). The Authority was formed under a Joint Exercise of Powers Agreement, dated February 20, 2007, between the Downey Unified School District and the California Municipal Finance Authority, in accordance with the provisions of Chapter 5, Division 7, Title 1 of the California *Government Code* of the State of California (the Act).

The Authority is governed by a Board of Directors consisting of individuals who serve as the Board of Trustees of the District. Downey Unified School District.

The Authority is authorized under Chapter 4 of the Act for the purpose of acquiring bonds of school districts in the State of California to provide financing or refinancing of school facilities.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District's self-insurance programs include, a workers' compensation fund and health benefits including medical, dental and vision. The internal activity of this fund is eliminated in the government-wide statement of activities.

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resource measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

Unearned Revenue

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

Expenses/Expenditures

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

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

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

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

Capital Assets, Depreciation and Amortization

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Premiums

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, or the proprietary fund Statement of Net Position. Debt premiums as well as issuance costs related to prepaid insurance cost are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

Subscriptions

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from 3 to 5 years.

Fund Balances - Governmental Funds

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position net of investment in capital assets and right-to-use subscription IT assets, consists of capital assets and right-to-use subscription IT assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$208,329,870 of net position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are In-District premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard are included in Notes 4 and 9.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	\$ 357,194,561
Proprietary funds	<u>60,412,772</u>
Total deposits and investments	<u><u>\$ 417,607,333</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 1,795,427
Cash in revolving	539,070
Investments	<u>415,272,836</u>
 Total deposits and investments	 <u><u>\$ 417,607,333</u></u>

Policies and Practices

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

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

The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California *Government Code* statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Los Angeles County Treasury Investment Pool.

Weighted Average Maturity

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

Investment Type	Reported Amount	Weighted Average Days to Maturity
Los Angeles County Treasury Investment Pool	\$ 415,272,836	753

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments held in the Los Angeles County Treasury Investment Pool is not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of \$2,400,022 includes \$1,389,989 that was exposed to custodial credit risk because it was uninsured. However, balances are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass- Through Fund	Building Fund	Non-Major Governmental Funds	Total	Internal Service Fund
Federal Government						
Categorical aid	\$ 6,407,694	\$ 1,377,556	\$ -	\$ 2,796,785	\$ 10,582,035	\$ -
State Government						
Categorical aid	10,464,576	-	-	1,680,013	12,144,589	-
Lottery	1,287,781	-	-	-	1,287,781	-
Local Government						
Interest	892,782	256	342,917	701,508	1,937,463	502,972
Other local sources	925,983	-	-	134,672	1,060,655	-
Total	<u>\$ 19,978,816</u>	<u>\$ 1,377,812</u>	<u>\$ 342,917</u>	<u>\$ 5,312,978</u>	<u>\$ 27,012,523</u>	<u>\$ 502,972</u>

Note 4 - Capital Assets and Right-to-Use Subscription IT Assets

Capital assets and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 19,311,663	\$ -	\$ -	\$ 19,311,663
Construction in progress	190,364,268	30,417,861	(6,130,360)	214,651,769
Total capital assets not being depreciated	209,675,931	30,417,861	(6,130,360)	233,963,432
Capital assets being depreciated				
Land improvements	26,890,957	1,137,673	-	28,028,630
Buildings and improvements	306,046,020	5,027,524	-	311,073,544
Machinery and equipment	29,741,156	2,783,242	(612,750)	31,911,648
Total capital assets being depreciated	362,678,133	8,948,439	(612,750)	371,013,822
Total capital assets	572,354,064	39,366,300	(6,743,110)	604,977,254
Accumulated depreciation				
Land improvements	(18,687,174)	(1,101,695)	-	(19,788,869)
Buildings and improvements	(113,089,492)	(6,700,594)	-	(119,790,086)
Machinery and equipment	(22,949,694)	(1,554,360)	482,313	(24,021,741)
Total accumulated depreciation	(154,726,360)	(9,356,649)	482,313	(163,600,696)
Net capital assets	417,627,704	30,009,651	(6,260,797)	441,376,558
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	-	388,192	-	388,192
Accumulated amortization	-	(118,548)	-	(118,548)
Net right-to-use subscription IT assets	-	269,644	-	269,644
Governmental activities capital assets, right-to-use subscription IT assets, net	\$ 417,627,704	\$ 30,279,295	\$ (6,260,797)	\$ 441,646,202

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

Governmental Activities	
Instruction	\$ 6,978,618
Home-to-school transportation	96,034
Food services	401,380
All other pupil services	727,929
Data processing	338,078
All other administration	170,194
Plant services	762,964
	<u>762,964</u>
Total depreciation and amortization expenses governmental activities	<u><u>\$ 9,475,197</u></u>

Note 5 - Lease Receivables

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

Lease Receivable	Outstanding July 1, 2022	Addition	Deletion	Outstanding June 30, 2023
Building Lease	<u>\$ 8,557,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,557,958</u>

Building Lease

On April 7, 1969 the District entered into a long-term grounds lease of an owned building adjacent to the District Office to an outside party. This lease is non-cancellable by either party until April 30, 2060. The lease does not have a renewal option. Base rates and increases for the current and future terms of the leases were established based upon the 2nd amendment to the original lease on March 8, 2011. Beginning May 1, 2021 through April 30, 2026 the annual rent will be adjusted by an increase of 3% per year or the prevailing CPI at that time, whichever is greater. If the CPI exceeds 4%, the increase shall not exceed 4% for that annual adjustment. For the remaining duration of the Ground lease after April 30, 2026 these rental terms shall remain in force until such time as both the Lessor and Lessee mutually agree to any additional amendments.

During the fiscal year, the District recognized \$232,798 in lease revenue and \$24,862 in interest revenue related to these agreements. At June 30, 2023, the District recorded \$8,613,541 in lease receivables, of which \$55,583 is related to interest receivable and \$8,557,958 in principle receivable, and \$8,613,541 in deferred inflows of resources for these arrangements. The District used an interest rate of 3% based on the most recent rate available to finance real estate.

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	\$ 3,252,000
Internal Service Fund	80,000
Total	<u>\$ 3,332,000</u>
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.	\$ 1,627,000
The General Fund transferred restricted routine repair and maintenance funds to the Deferred Maintenance Non-Major Governmental Fund to contribute to the maintenance of District Facilities.	1,625,000
The General Fund transferred to the Internal Service Fund to pay insurance obligations.	<u>80,000</u>
Total	<u>\$ 3,332,000</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Special Education Pass-Through Fund	Building Fund	Non-Major Governmental Funds	Total	Internal Service Fund
Vendor payables	\$ 7,628,064	\$ -	\$ -	\$ 259,065	\$ 7,887,129	\$ 2,937,850
LCFF apportionment	3,445,071	-	-	-	3,445,071	-
State categorical	4,733,831	-	-	-	4,733,831	-
Salaries and benefits	16,019,109	-	76,709	709,287	16,805,105	7,950
Pass through to subrecipients	-	7,683,473	-	-	7,683,473	-
Construction payables	-	-	2,603,575	982,785	3,586,360	-
Total	<u>\$ 31,826,075</u>	<u>\$ 7,683,473</u>	<u>\$ 2,680,284</u>	<u>\$ 1,951,137</u>	<u>\$ 44,140,969</u>	<u>\$ 2,945,800</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal categorical aid	\$ 1,994,269	\$ -	\$ 1,994,269
State categorical aid	2,397,796	-	2,397,796
Other local	-	190,002	190,002
Total	\$ 4,392,065	\$ 190,002	\$ 4,582,067

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

Summary

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 255,913,859	\$ 125,466,042	\$ (6,975,000)	\$ 374,404,901	\$ 7,625,000
Unamortized debt premiums	10,451,108	4,172,778	(476,092)	14,147,794	-
Retirement incentive plans	1,957,548	9,711,950	(978,774)	10,690,724	2,921,164
Compensated absences	3,007,180	-	(65,062)	2,942,118	-
Claims liability	15,326,469	23,319,951	(23,319,951)	15,326,469	-
Subscription-based IT arrangements	-	388,192	(262,423)	125,769	47,703
Total	\$ 286,656,164	\$ 163,058,913	\$ (32,077,302)	\$ 417,637,775	\$ 10,593,867

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local tax revenues. Payment of the retirement incentive plans is paid by the General, Adult, and Cafeteria funds. Compensated absences are paid by the fund for which the employee worked. Claims liability is paid from the Internal Service Fund. Payments on the subscription-based IT arrangements are made by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
4/1/1999	8/1/2027	4.60-6.10%	\$ 9,230,000	\$ 2,936,981	\$ -	\$ 96,557	\$ (640,000)	\$ 2,393,538
4/12/2007	8/1/2026	4.50-5.25%	21,030,000	9,335,000	-	-	(2,095,000)	7,240,000
10/15/2015	8/1/2045	3.00-4.00%	50,000,000	34,935,000	-	-	-	34,935,000
12/15/2015	2/1/2027	3.04%	3,015,000	2,940,000	-	-	(5,000)	2,935,000
5/4/2016	8/1/2029	3.14%	7,380,000	4,565,000	-	-	(550,000)	4,015,000
2/5/2019	8/1/2048	3.25-5.00%	125,000,000	116,900,000	-	-	-	116,900,000
2/5/2019	8/1/2039	2.80-3.85%	9,997,984	11,031,878	-	369,485	-	11,401,363
5/6/2021	8/1/2048	2.00-4.00%	63,000,000	63,000,000	-	-	(1,550,000)	61,450,000
5/6/2021	8/1/2031	4.00%	10,475,000	10,270,000	-	-	(2,135,000)	8,135,000
6/6/2023	8/1/2052	4.00-5.00%	125,000,000	-	125,000,000	-	-	125,000,000
				<u>\$ 255,913,859</u>	<u>\$ 125,000,000</u>	<u>\$ 466,042</u>	<u>\$ (6,975,000)</u>	<u>\$ 374,404,901</u>

1999 General Obligation Refunding Bonds, Series A

In April 1999, the District issued General Obligation Refunding Bonds in the amount of \$9,230,000. The bonds were issued to refund previously issued 1996 General Obligation Bonds, Series A and B. Interest rates on the bonds range from 4.60 to 6.10% and mature on August 1, 2027. The bonds include current interest and capital accretion type bonds. As of June 30, 2023, the principal balance outstanding was \$2,393,538.

2007 General Obligation Refunding Bonds

In April 2007, the Downey Unified School Facilities Financing Authority (the Authority) issued \$21,030,000 of General Obligation Refunding Bonds. The bonds were issued under the Marks-Roos Local Bond Pooling Act for the purpose of acquiring District Refunding Bonds and to finance the acquisition and construction of capital improvements in the District. The District and the Authority entered into an agreement under which the District agreed to issue District Refunding Bonds and to sell them to the authority. The interest rates on the bonds range from 4.50 to 5.25% and mature on August 1, 2026. As of June 30, 2023, the principal balance outstanding is \$7,240,000.

2014 General Obligation Bonds, Series A

In October 2015, the District issued \$50,000,000 of General Obligation, Series A. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature on August 1, 2045. Interest rates on the bonds range from 3.00 to 4.00%. As of June 30, 2023, the principal balance outstanding is \$34,935,000. Unamortized premium received on issuance of the bonds amounted to \$936,028 as of June 30, 2023.

2015 General Obligation Refunding Bonds

In December 2015, the District issued \$3,015,000 of General Obligation Refunding Bonds. The bonds mature through 2027, with an interest rate of 3.040%. The net proceeds of \$3,015,000 from the issuance were used to advance refund the balance of the District's 2002 General Obligation Bonds, Series C and to pay the cost of the issuance associated with the refunding bonds, with prepayment to occur on February 1, 2027. As of June 30, 2023, the principal balance outstanding is \$2,935,000.

2016 General Obligation Refunding Bonds

In May 2016, the District issued \$7,380,000, of General Obligation Refunding Bonds. The bonds mature through 2030, with an interest rate of 3.14%. The net proceeds of \$7,380,000 from the issuance were used to advance refund the partial balance of the 2006 General Obligation Refunding Bonds and to pay the cost of the issuance associated with the refunding bonds, with prepayment to occur on August 1, 2029. As of June 30, 2023, the principal balance outstanding is \$4,015,000.

2014 General Obligation Bonds, Series B

In February 2019, the District issued \$125,000,000 of General Obligation, Series B. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature on August 1, 2048. Interest rates on the bonds range from 3.25 to 5.00%. As of June 30, 2023, the principal balance outstanding is \$116,900,000. Unamortized premium received on issuance of the bonds amounted to \$3,789,551 as of June 30, 2023.

2014 General Obligation Bonds, Series B-1

In February 2019, the District issued \$9,997,984 of General Obligation, Series B-1 capital appreciation bonds. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature on August 1, 2039. Interest rates on the bonds range from 2.80 to 3.85%. As of June 30, 2023, the principal balance outstanding is \$11,401,363.

2014 General Obligation Bonds, Series C

In May 2021, the District issued \$63,000,000 of General Obligation, Series C current interest bonds. The bonds were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature on August 1, 2048. Interest rates on the bonds range from 2.00 to 4.00%. As of June 30, 2023, the principal balance outstanding is \$61,450,000. Unamortized premium received on issuance of the bonds amounted to \$4,317,051 as of June 30, 2023.

2021 General Obligation Refunding Bonds

In May 2021, the District issued \$10,475,000 of General Obligation Refunding Bonds. Proceeds from the bonds were used to refund a portion of the District's 2011 General Obligation Refunding Bonds and 2012 General Obligation Refunding Bonds. The bonds mature on August 1, 2031 and with an interest rate of 4.00%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding in the statement of net position and are amortized to interest expense over the life of the liability. At June 30, 2023, the principal balance outstanding was \$8,135,000. Unamortized premium received on issuance of the bonds amount to \$932,386 as of June 30, 2023.

2022 General Obligation Bonds, Series A

In June 2023, the District issued \$125,000,000 General Obligation, Series A. The bonds were issued to finance the acquisition, construction, modernization and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The bonds mature on August 1, 2052. Interest rates on the bonds range from 4.00 to 5.00%. As of June 30, 2023, the principal balance outstanding is \$125,000,000. Unamortized premium received on issuance of the bonds amounted to \$4,172,778 as of June 30, 2023.

The General Obligation Bonds mature through 2053 as follows:

The capital appreciation bonds mature as follows:

Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2024	\$ 38,950	\$ 112,354	\$ 151,304	\$ 13,696	\$ 165,000
2025	129,356	377,976	507,332	77,668	585,000
2026	150,843	439,247	590,090	129,910	720,000
2027	110,909	316,430	427,339	122,661	550,000
2028	20,558	56,916	77,474	27,526	105,000
2029-2033	3,675,759	455,591	4,131,350	1,103,650	5,235,000
2034-2038	4,558,428	662,026	5,220,454	2,799,546	8,020,000
2039-2042	1,763,797	285,761	2,049,558	1,695,442	3,745,000
Total	<u>\$ 10,448,600</u>	<u>\$ 2,706,301</u>	<u>\$ 13,154,901</u>	<u>\$ 5,970,099</u>	<u>\$ 19,125,000</u>

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2024	\$ 7,460,000	\$ 12,057,011	\$ 19,517,011
2025	11,410,000	13,495,552	24,905,552
2026	9,845,000	13,035,675	22,880,675
2027	6,425,000	12,679,461	19,104,461
2028	2,595,000	12,491,409	15,086,409
2029-2033	15,350,000	60,753,635	76,103,635
2034-2038	34,920,000	55,914,950	90,834,950
2039-2043	72,545,000	46,145,503	118,690,503
2044-2048	123,545,000	27,584,578	151,129,578
2049-2053	77,155,000	6,245,075	83,400,075
Total	<u>\$ 361,250,000</u>	<u>\$ 260,402,849</u>	<u>\$ 621,652,849</u>

Retirement Incentive Plans

The District offered a retirement incentives in 2019 and 2023 to qualified employees to be administered through Public Agency Retirement Services (PARS). The District purchased qualified 403(b) annuity contracts from Pacific Life Insurance Company, payable in annual installments as shown below. Eligibility requirements are that the employee attain age 50 with at least 30 years of service with the District, or attain age 55 with at least five years of service with the District. 91 and 144 employees qualified and accepted the 2019 and 2023 incentives, respectively. At June 30, 2023, the remaining balance of the payments are:

<u>Fiscal Year</u>	<u>2019 PARS Payments</u>	<u>2023 PARS Payments</u>	<u>Total</u>
2024	\$ 978,774	\$ 1,942,390	\$ 2,921,164
2025	-	1,942,390	1,942,390
2026	-	1,942,390	1,942,390
2027	-	1,942,390	1,942,390
2028	-	1,942,390	1,942,390
Total	<u>\$ 978,774</u>	<u>\$ 9,711,950</u>	<u>\$ 10,690,724</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$2,942,118.

Claims Liability

Liabilities associated with worker's compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of selling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for health care, worker's compensation, dental and vision claims are reported in the Internal Service Fund. The outstanding claims liability at June 30, 2023, amounted to \$15,326,469.

Subscriptions-Based Information Technology Arrangements (SBITAs)

During the current year, the District entered into four SBITA contracts related to information technology and school management software with subscription terms ranging from 36 to 60 months. As of June 30, 2023, the value of the total subscription liabilities for these contracts was \$125,769. The subscription liabilities were valued using discount rates ranging from 4.37% to 4.40% based on the rates from the State and Local Government Securities table, plus 150 basis points, for the nearest maturity to the noncancelable term of the agreements. The total amount of right-to-use subscription assets, and the related accumulated amortization on right-to-use subscription assets were \$388,192 and \$118,548, as of June 30, 2023, respectively.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 47,703	\$ 5,625	\$ 53,328
2025	49,825	3,504	53,329
2026	13,810	1,268	15,078
2027	14,431	648	15,079
Total	<u>\$ 125,769</u>	<u>\$ 11,045</u>	<u>\$ 136,814</u>

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

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

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 115,853,111	\$ 43,894,090	\$ 47,930,005	\$ 7,774,051
Medicare Premium Payment (MPP) Program	<u>1,233,271</u>	<u>-</u>	<u>-</u>	<u>(176,457)</u>
Total	<u>\$ 117,086,382</u>	<u>\$ 43,894,090</u>	<u>\$ 47,930,005</u>	<u>\$ 7,597,594</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	107
Active employees	<u>2,161</u>
Total	<u><u>2,268</u></u>

Benefits Provided

The Plan provides medical benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For the measurement period ended June 30, 2022, the District paid \$1,420,636 in benefits. Additionally, the District recognized a reduction in the total OPEB liability of \$915,681 associated with the implicit rate subsidy.

Total OPEB Liability of the District

The District's total OPEB liability of \$115,853,111 was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

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

Inflation	2.50
Salary increases	2.75
Discount rate	3.54
Healthcare cost trend rates	4.00

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period of July 1, 2021 to June 30, 2022.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2022	<u>\$ 121,399,391</u>
Service cost	7,686,510
Interest	2,678,020
Differences between expected and actual experience	(184,201)
Changes of assumptions	(13,390,292)
Benefit payments	<u>(2,336,317)</u>
Net change in total OPEB liability	<u>(5,546,280)</u>
Balance, June 30, 2023	<u><u>\$ 115,853,111</u></u>

Changes of assumptions and other inputs include a change in the discount rate from 2.16% to 3.54% from the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.54%)	\$ 125,834,248
Current discount rate (3.54%)	115,853,111
1% increase (4.54%)	108,832,264

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

<u>Healthcare Cost Trend Rate</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 101,893,609
Current healthcare cost trend rate (4.00%)	115,853,111
1% increase (5.00%)	131,671,078

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

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,751,195	\$ -
Differences between expected and actual experience	30,474,983	32,009,825
Changes of assumptions	11,667,912	15,920,180
Total	<u>\$ 43,894,090</u>	<u>\$ 47,930,005</u>

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

The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 76,397
2025	76,397
2026	76,397
2027	76,397
2028	76,397
Thereafter	(6,169,095)
Total	<u>\$ (5,787,110)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$1,233,271 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.3744%, and 0.3534%, resulting in a net increase in the proportionate share of 0.0210%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(176,457).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability 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, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

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, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	\$ 1,344,503
Current discount rate (3.54%)	1,233,271
1% increase (4.54%)	1,136,959

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,131,572
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	1,233,271
1% increase (5.50% Part A and 6.40% Part B)	1,348,553

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 5,070	\$ 55,070
Stores inventories	745,465	-	152,702	898,167
Prepaid expenditures	223,345	-	-	223,345
Total nonspendable	1,018,810	-	157,772	1,176,582
Restricted				
Legally restricted programs	95,070,455	-	22,065,357	117,135,812
Adult education program	-	-	4,527,399	4,527,399
Capital projects	-	119,349,349	25,134,251	144,483,600
Deferred maintenance projects	-	-	7,027,449	7,027,449
Debt service	-	-	16,190,322	16,190,322
Total restricted	95,070,455	119,349,349	74,944,778	289,364,582
Assigned				
Capital projects	-	-	13,471,215	13,471,215
Unassigned				
Reserve for economic uncertainties	19,682,512	-	-	19,682,512
Remaining unassigned	12,935,970	-	-	12,935,970
Total unassigned	32,618,482	-	-	32,618,482
Total	\$ 128,707,747	\$ 119,349,349	\$ 88,573,765	\$ 336,630,861

Note 12 - Risk Management - Claims

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

Workers' compensation claims are handled through the District's Self-Insurance Fund to \$100,000 per claim. Excess coverage is provided by Commercial Reinsurance.

Employee Medical Benefits

Medical/Health benefits are provided through the District Self-Insurance Fund for medical, dental, and vision.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

The District has actuarial studies performed every three years in accordance with AB1200.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2021 to June 30, 2023:

	Workers' Compensation	Health & Welfare	Dental	Vision	Total
Liability Balance, July 1, 2021	\$ 7,156,465	\$ 7,301,110	\$ 754,816	\$ 114,078	\$ 15,326,469
Claims and changes in estimates	526,650	19,106,935	2,502,814	338,982	22,475,381
Claims payments	<u>(526,650)</u>	<u>(19,106,935)</u>	<u>(2,502,814)</u>	<u>(338,982)</u>	<u>(22,475,381)</u>
Liability Balance, June 30, 2022	7,156,465	7,301,110	754,816	114,078	15,326,469
Claims and changes in estimates	839,725	19,353,638	2,764,111	362,477	23,319,951
Claims payments	<u>(839,725)</u>	<u>(19,353,638)</u>	<u>(2,764,111)</u>	<u>(362,477)</u>	<u>(23,319,951)</u>
Liability Balance, June 30, 2023	<u><u>\$ 7,156,465</u></u>	<u><u>\$ 7,301,110</u></u>	<u><u>\$ 754,816</u></u>	<u><u>\$ 114,078</u></u>	<u><u>\$ 15,326,469</u></u>
Assets available to pay claims at June 30, 2023					<u><u>\$ 60,915,744</u></u>

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 173,338,859	\$ 52,540,781	\$ 25,644,180	\$ 17,405,375
CalPERS	98,863,781	32,887,810	3,716,386	12,735,109
Total	<u>\$ 272,202,640</u>	<u>\$ 85,428,591</u>	<u>\$ 29,360,566</u>	<u>\$ 30,140,484</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by 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: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$31,483,665.

Pension Liabilities, Pension Expense, 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	
Proportionate share of net pension liability	\$ 173,338,859
State's proportionate share of the net pension liability	86,807,423
Total	<u>\$ 260,146,282</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 proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.2495% and 0.2351%, respectively, resulting in a net increase in the proportionate share of 0.0144%.

For the year ended June 30, 2023, the District recognized pension expense of \$17,405,375. In addition, the District recognized pension expense and revenue of \$7,000,961 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 of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 31,483,665	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,318,579	4,170,778
Differences between projected and actual earnings on pension plan investments	-	8,476,606
Differences between expected and actual experience in the measurement of the total pension liability	142,191	12,996,796
Changes of assumptions	8,596,346	-
	<u>\$ 52,540,781</u>	<u>\$ 25,644,180</u>
Total	<u>\$ 52,540,781</u>	<u>\$ 25,644,180</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (6,226,696)
2025	(6,745,570)
2026	(10,133,220)
2027	14,628,880
	<u>\$ (8,476,606)</u>
Total	<u>\$ (8,476,606)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 6,069,166
2025	(383,451)
2026	(550,129)
2027	(590,801)
2028	(1,263,235)
Thereafter	607,992
Total	<u>\$ 3,889,542</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 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
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 294,393,674
Current discount rate (7.10%)	173,338,859
1% increase (8.10%)	72,826,967

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The 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 \$12,857,760.

Pension Liabilities, Pension Expense, 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 \$98,863,781. 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 proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.2873% and 0.2868%, respectively, resulting in a net increase in the proportionate share of 0.0005%.

For the year ended June 30, 2023, the District recognized pension expense of \$12,735,109. 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 of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,857,760	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	596,740	1,256,528
Differences between projected and actual earnings on pension plan investments	11,673,123	-
Differences between expected and actual experience in the measurement of the total pension liability	446,807	2,459,858
Changes of assumptions	7,313,380	-
	<u>32,887,810</u>	<u>3,716,386</u>
Total	<u>\$ 32,887,810</u>	<u>\$ 3,716,386</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 1,946,706
2025	1,726,593
2026	881,964
2027	7,117,860
Total	<u>\$ 11,673,123</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 1,915,890
2025	1,264,110
2026	1,528,259
2027	(67,718)
Total	<u>\$ 4,640,541</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 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
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 142,813,738
Current discount rate (6.90%)	98,863,781
1% increase (7.90%)	62,540,757

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 employees who are not members of CalSTRS or CalPERS are covered by Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$13,962,135 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately \$19.9 million in commitments with respect to unfinished capital projects.

Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Alliance for Schools for Cooperative Insurance Programs (ASCIP), and the Schools' Excess Liability Fund (SELF), public entity risk pools. The District pays an annual premium to each entity for its property and liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2023, the District made payments of \$1,901,012 to ASCIP for insurance plans. The payment included a premium for SELF.



Required Supplementary Information
June 30, 2023

Downey Unified School District

Downey Unified School District
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 255,116,062	\$ 277,662,523	\$ 277,574,056	\$ (88,467)
Federal sources	21,979,370	39,816,655	32,768,345	(7,048,310)
Other State sources	48,460,432	94,628,896	113,761,342	19,132,446
Other local sources	16,296,880	22,922,972	22,858,442	(64,530)
Total revenues	341,852,744	435,031,046	446,962,185	11,931,139
Expenditures				
Current				
Certificated salaries	146,033,090	164,213,835	165,021,020	(807,185)
Classified salaries	46,701,029	52,412,726	49,806,431	2,606,295
Employee benefits	97,792,873	104,007,199	103,080,617	926,582
Books and supplies	16,355,675	27,471,539	18,243,078	9,228,461
Services and operating expenditures	34,774,855	49,231,626	47,920,131	1,311,495
Other outgo	2,614,547	1,627,394	3,218,265	(1,590,871)
Capital outlay	1,088,995	3,402,568	3,522,207	(119,639)
Debt service				
Debt service - principal	-	-	262,423	(262,423)
Debt service - interest and other	-	-	5,609	(5,609)
Total expenditures	345,361,064	402,366,887	391,079,781	11,287,106
Excess (Deficiency) of Revenues Over Expenditures	(3,508,320)	32,664,159	55,882,404	23,218,245
Other Financing Sources (Uses)				
Other sources - proceeds from SBITAs	-	-	388,192	388,192
Transfers out	(3,332,000)	(3,332,000)	(3,332,000)	-
Net Financing Sources (Uses)	(3,332,000)	(3,332,000)	(2,943,808)	388,192
Net Change in Fund Balances	(6,840,320)	29,332,159	52,938,596	23,606,437
Fund Balance - Beginning	75,769,151	75,769,151	75,769,151	-
Fund Balance - Ending	\$ 68,928,831	\$ 105,101,310	\$ 128,707,747	\$ 23,606,437

Downey Unified School District
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 5,407,922	\$ 5,405,067	\$ 6,029,548	\$ 624,481
Other State sources	21,646,125	22,167,919	21,720,007	(447,912)
Total revenues	27,054,047	27,572,986	27,749,555	176,569
Expenditures				
Other outgo	27,054,047	27,572,986	27,749,555	(176,569)
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Downey Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 7,686,510	\$ 12,401,563	\$ 8,410,073
Interest	2,678,020	3,331,607	4,462,125
Difference between expected and actual experience	(184,201)	(35,842,807)	(1,050,376)
Changes of assumptions	(13,390,292)	(2,687,661)	12,476,793
Benefit payments	(2,336,317)	(3,064,269)	(1,694,169)
Net change in total OPEB liability	(5,546,280)	(25,861,567)	22,604,446
Total OPEB Liability - Beginning	121,399,391	147,260,958	124,656,512
Total OPEB Liability - Ending	<u>\$ 115,853,111</u>	<u>\$ 121,399,391</u>	<u>\$ 147,260,958</u>
Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 4,910,309	\$ 4,571,791	\$ 4,633,887
Interest	2,874,327	2,719,070	2,311,192
Difference between expected and actual experience	41,658,463	-	-
Changes of assumptions	2,328,266	(1,720,165)	-
Benefit payments	(1,254,823)	(1,398,598)	(1,523,715)
Net change in total OPEB liability	50,516,542	4,172,098	5,421,364
Total OPEB Liability - Beginning	74,139,970	69,967,872	64,546,508
Total OPEB Liability - Ending	<u>\$ 124,656,512</u>	<u>\$ 74,139,970</u>	<u>\$ 69,967,872</u>
Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Downey Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.3744%	0.3534%	0.4132%
Proportionate share of the net OPEB liability	\$ 1,233,271	\$ 1,409,728	\$ 1,750,966
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.4082%	0.4038%	0.4041%
Proportionate share of the net OPEB liability	\$ 1,520,087	\$ 1,545,664	\$ 1,699,890
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Downey Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	<u>0.2495%</u>	<u>0.2351%</u>	<u>0.2371%</u>	<u>0.2307%</u>	<u>0.2250%</u>
Proportionate share of the net pension liability	\$ 173,338,859	\$ 107,002,157	\$ 229,791,710	\$ 208,399,137	\$ 206,770,104
State's proportionate share of the net pension liability	<u>86,807,423</u>	<u>53,839,335</u>	<u>118,457,654</u>	<u>113,695,642</u>	<u>118,385,555</u>
Total	<u>\$ 260,146,282</u>	<u>\$ 160,841,492</u>	<u>\$ 348,249,364</u>	<u>\$ 322,094,779</u>	<u>\$ 325,155,659</u>
Covered payroll	<u>\$ 145,558,174</u>	<u>\$ 131,124,223</u>	<u>\$ 130,694,947</u>	<u>\$ 124,932,568</u>	<u>\$ 120,169,702</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>119.09%</u>	<u>81.60%</u>	<u>175.82%</u>	<u>166.81%</u>	<u>172.07%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability		<u>0.2232%</u>	<u>0.2307%</u>	<u>0.2310%</u>	<u>0.2141%</u>
Proportionate share of the net pension liability		\$ 206,398,716	\$ 186,580,167	\$ 155,525,424	\$ 125,085,872
State's proportionate share of the net pension liability		<u>122,103,737</u>	<u>106,216,761</u>	<u>82,255,805</u>	<u>75,532,250</u>
Total		<u>\$ 328,502,453</u>	<u>\$ 292,796,928</u>	<u>\$ 237,781,229</u>	<u>\$ 200,618,122</u>
Covered payroll		<u>\$ 118,533,370</u>	<u>\$ 115,535,909</u>	<u>\$ 103,498,727</u>	<u>\$ 97,025,571</u>
Proportionate share of the net pension liability as a percentage of its covered payroll		<u>174.13%</u>	<u>161.49%</u>	<u>150.27%</u>	<u>128.92%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Downey Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	<u>0.2873%</u>	<u>0.2868%</u>	<u>0.2955%</u>	<u>0.2804%</u>	<u>0.2757%</u>
Proportionate share of the net pension liability	<u>\$ 98,863,781</u>	<u>\$ 58,327,964</u>	<u>\$ 90,658,213</u>	<u>\$ 81,727,709</u>	<u>\$ 73,499,618</u>
Covered payroll	<u>\$ 45,015,242</u>	<u>\$ 41,136,710</u>	<u>\$ 42,542,107</u>	<u>\$ 37,350,155</u>	<u>\$ 36,128,691</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>219.62%</u>	<u>141.79%</u>	<u>213.10%</u>	<u>218.81%</u>	<u>203.44%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability		<u>0.2752%</u>	<u>0.2730%</u>	<u>0.2669%</u>	<u>0.2561%</u>
Proportionate share of the net pension liability		<u>\$ 65,691,017</u>	<u>\$ 53,909,000</u>	<u>\$ 39,338,034</u>	<u>\$ 29,076,541</u>
Covered payroll		<u>\$ 34,982,287</u>	<u>\$ 32,741,411</u>	<u>\$ 29,075,431</u>	<u>\$ 27,004,140</u>
Proportionate share of the net pension liability as a percentage of its covered payroll		<u>187.78%</u>	<u>164.65%</u>	<u>135.30%</u>	<u>107.67%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Downey Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 31,483,665	\$ 24,628,443	\$ 21,176,562	\$ 22,348,836	\$ 20,339,022
Less contributions in relation to the contractually required contribution	<u>31,483,665</u>	<u>24,628,443</u>	<u>21,176,562</u>	<u>22,348,836</u>	<u>20,339,022</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 164,835,942</u>	<u>\$ 145,558,174</u>	<u>\$ 131,124,223</u>	<u>\$ 130,694,947</u>	<u>\$ 124,932,568</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 17,340,488	\$ 14,911,498	\$ 12,397,003	\$ 9,190,687
Less contributions in relation to the contractually required contribution		<u>17,340,488</u>	<u>14,911,498</u>	<u>12,397,003</u>	<u>9,190,687</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 120,169,702</u>	<u>\$ 118,533,370</u>	<u>\$ 115,535,909</u>	<u>\$ 103,498,727</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

Downey Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 12,857,760	\$ 10,312,992	\$ 8,515,299	\$ 8,389,729	\$ 6,746,185
Less contributions in relation to the contractually required contribution	<u>12,857,760</u>	<u>10,312,992</u>	<u>8,515,299</u>	<u>8,389,729</u>	<u>6,746,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 50,680,962</u>	<u>\$ 45,015,242</u>	<u>\$ 41,136,710</u>	<u>\$ 42,542,107</u>	<u>\$ 37,350,155</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 5,611,147	\$ 4,858,340	\$ 3,878,875	\$ 3,422,469
Less contributions in relation to the contractually required contribution		<u>5,611,147</u>	<u>4,858,340</u>	<u>3,878,875</u>	<u>3,422,469</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 36,128,691</u>	<u>\$ 34,982,287</u>	<u>\$ 32,741,411</u>	<u>\$ 29,075,431</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

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

These schedules 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.

At June 30, 2023, the District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Special Education Pass-Through Fund	<u>\$ 27,572,986</u>	<u>\$ 27,749,555</u>	<u>\$ 176,569</u>

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

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

- Changes in Benefit Terms - There were no changes in the benefits terms since the previous valuation.
- Changes of Assumptions – The plan discount rate changed from 2.16% to 3.54% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

Downey Unified School District

Downey Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	[1]	\$ 1,762,418	\$ -
Subtotal Student Financial Assistance Cluster			1,762,418	-
COVID-19: Higher Education Emergency Relief Funds -Student Aid Portion	84.425E	[1]	51,147	-
COVID-19: Higher Education Emergency Relief Funds -Institutional Portion	84.425F	[1]	158,752	-
Passed through California Department of Education (CDE)				
COVID-19: COVID CARES Act Supplemental Meal Reimbursement	84.425D	15535	464,652	-
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	183,897	-
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C	15619	536,969	-
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	90,261	-
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15547	3,023,879	-
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15618	2,339,645	-
COVID-19: American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	15559	9,461,152	-
COVID-19: ARP Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	10155	1,580,053	-
COVID-19: ARP Elementary and Secondary School Emergency Relief (ESSER) Fund - Homeless Children and Youth	84.425W	15566	23,008	-
Subtotal			17,913,415	-
Title I, Part A, Basic Grants				
Low-Income and Neglected	84.010	14329	6,329,654	-
Title II, Part A, Supporting Effective Instruction	84.367	14341	781,400	-
Title III, English Learner Student Program	84.365	14346	641,990	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	604,886	-
IDEA Early Intervention Grants	84.181	23761	245,437	-

[1] Program is directly funded; therefore, no pass-through entity identifying number available.

Downey Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Passed through California Department of Education (CDE)				
Special Education Cluster (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 9,638,859	\$ 4,771,643
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	5,728	-
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	1,803,437	861,548
Preschool Grants, Part B, Section 619	84.173	13430	271,361	135,628
Preschool Staff Development, Part B, Section 619	84.173A	13431	1,457	397
Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	63,943	8,425
Alternate Dispute Resolution	84.027A	13007	39,466	-
COVID-19: Alternate Dispute Resolution	84.173A	15639	75,389	-
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	510,533	251,907
Subtotal Special Education Cluster (IDEA)			12,410,173	6,029,548
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	172,147	-
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	211,216	-
Subtotal			383,363	-
Total U.S. Department of Education			41,072,736	6,029,548
U.S. Department of Agriculture				
Passed through California Department of Education (CDE)				
CACFP Claims - Centers and Family Day Care	10.558	13393	547,858	-
CCFP Cash in Lieu of Commodities	10.558	13534	32,026	-
Subtotal			579,884	-
Child Nutrition Cluster				
National School Lunch Program (NSL Sec 4)	10.555	13523	2,144,662	-
National School Lunch Program (NSL Sec 11)	10.555	15324	5,843,722	-
School Breakfast Program - Especially Needy Breakfast	10.553	13526	2,474,770	-
Supply Chain Assistance (SCA) Funds	10.555	15655	431,648	-
COVID-19: School Nutrition Program Emergency Operational Costs Reimbursement (ECR)	10.555	15637	583,815	-
Commodity Supplemental Food	10.555	13396	954,077	-
Subtotal Child Nutrition Cluster			12,432,694	-
Total U.S. Department of Agriculture			13,012,578	-
Federal Communications Commission (FCC)				
Emergency Connectivity Fund Program	32.009	[1]	373,342	-
Total Federal Communications Commission (FCC)			373,342	-
Total Federal Financial Assistance			\$ 54,458,656	\$ 6,029,548

[1] Program is directly funded; therefore, no pass-through entity identifying number available.

Organization

The Downey Unified School District was established July 1, 1961, and consists of an area comprising approximately 14 square miles. The District operates thirteen elementary schools, four middle schools, two high schools, one adult education school, one continuation high school, and a community day school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Giovanna Perez-Saab	President	2024
Nancy A. Swenson	Vice President	2026
Linda Salomon Saldaña	Clerk	2024
Tyrone Conde	Member	2026
D. Mark Morris	Member	2024
Jose J. Rodriguez	Member	2024
Barbara R. Samperi	Member	2026

ADMINISTRATION

NAME	TITLE
John A. Garcia, Jr., Ph.D.	Superintendent
Wayne Shannon, Ed.D.	Assistant Superintendent, Elementary Educational Services
Roger Brossmer, Ed.D.	Assistant Superintendent, Secondary Educational Services
Robert McEntire, Ed.D.	Associate Superintendent, Business Services
Alyda Mir	Assistant Superintendent, Certificated Human Resources

Downey Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,462.75	5,494.42
Fourth through sixth	4,330.98	4,346.38
Seventh and eighth	3,223.62	3,232.74
Ninth through twelfth	7,410.45	7,297.07
Total Regular ADA	20,427.80	20,370.61
Extended Year Special Education		
Transitional kindergarten through third	35.38	35.38
Fourth through sixth	28.67	28.67
Seventh and eighth	8.03	8.03
Ninth through twelfth	61.79	61.79
Total Extended Year Special Education	133.87	133.87
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.55	1.72
Fourth through sixth	3.26	4.05
Seventh and eighth	7.69	8.05
Ninth through twelfth	12.25	12.78
Total Special Education, Nonpublic, Nonsectarian Schools	24.75	26.60
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.21	0.19
Fourth through sixth	0.24	0.22
Seventh and eighth	0.47	0.67
Ninth through twelfth	1.42	1.49
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.34	2.57
Community Day School		
Seventh and eighth	5.36	5.78
Ninth through twelfth	6.15	6.02
Total Community Day School	11.51	11.80
Total ADA	20,600.27	20,545.45

Downey Unified School District
Schedule of Instructional Time
Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	49,405	-	49,405	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		50,616	-	50,616	180	-	180	-	-	-	Complied
Grade 2		50,616	-	50,616	180	-	180	-	-	-	Complied
Grade 3		50,616	-	50,616	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		54,260	-	54,260	180	-	180	-	-	-	Complied
Grade 5		54,260	-	54,260	180	-	180	-	-	-	Complied
Grade 6		54,260	-	54,260	180	-	180	-	-	-	Complied
Grade 7		54,260	-	54,260	180	-	180	-	-	-	Complied
Grade 8		54,260	-	54,260	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		65,230	-	65,230	180	-	180	-	-	-	Complied
Grade 10		65,230	-	65,230	180	-	180	-	-	-	Complied
Grade 11		65,230	-	65,230	180	-	180	-	-	-	Complied
Grade 12		65,230	-	65,230	180	-	180	-	-	-	Complied

Downey Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

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

	Bond Interest and Redemption Fund*
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	\$ 17,012,505
Decrease in	
Fair value adjustment in cash in county treasury	<u>(822,183)</u>
Balance, June 30, 2023, Audited Financial Statements	<u><u>\$ 16,190,322</u></u>

*Fund is not controlled by the District.

Downey Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
General Fund				
Revenues	\$ 410,534,534	\$ 446,962,185	\$ 348,287,040	\$ 331,163,038
Other sources	-	388,192	-	-
Total revenues and other sources	410,534,534	447,350,377	348,287,040	331,163,038
Expenditures	414,843,153	391,079,781	328,321,152	304,830,184
Other uses	4,466,000	3,332,000	3,127,000	5,798,594
Total expenditures and other uses	419,309,153	394,411,781	331,448,152	310,628,778
Increase/(Decrease) in Fund Balance	(8,774,619)	52,938,596	16,838,888	20,534,260
Ending Fund Balance	\$ 119,933,128	\$ 128,707,747	\$ 75,769,151	\$ 58,930,263
Available Reserves ²	\$ 34,171,939	\$ 32,618,482	\$ 29,144,601	\$ 33,946,519
Available Reserves as a Percentage of Total Outgo	8.15%	8.27%	8.79%	10.93%
Long-Term Liabilities	N/A	\$ 806,926,797	\$ 574,795,404	\$ 762,711,859
K-12 Average Daily Attendance at P-2	21,259	20,600	19,767	21,247

The General Fund balance has increased by \$69,777,484 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$8,774,619 (6.82%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have increased by \$44,214,938 over the past two years.

Average daily attendance has decreased by 647 over the past two years. ADA is anticipated to increase by 659 ADA for the fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

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

Downey Unified School District
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets					
Deposits and investments	\$ 1,795,427	\$ 4,929,104	\$ 16,296,430	\$ 7,736,116	\$ 2,613,060
Receivables	-	110,131	4,625,088	46,351	112,382
Stores inventories	-	-	152,702	-	-
Total assets	\$ 1,795,427	\$ 5,039,235	\$ 21,074,220	\$ 7,782,467	\$ 2,725,442
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 473,469	\$ 494,883	\$ 755,018	\$ 31,716
Unearned revenue	-	38,322	151,680	-	-
Total liabilities	-	511,791	646,563	755,018	31,716
Fund Balances					
Nonspendable	-	45	157,727	-	-
Restricted	1,795,427	4,527,399	20,269,930	7,027,449	2,693,726
Assigned	-	-	-	-	-
Total fund balances	1,795,427	4,527,444	20,427,657	7,027,449	2,693,726
Total liabilities and fund balances	\$ 1,795,427	\$ 5,039,235	\$ 21,074,220	\$ 7,782,467	\$ 2,725,442

Downey Unified School District
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 22,153,907	\$ 13,534,858	\$ 16,190,322	\$ 85,249,224
Receivables	286,618	132,408	-	5,312,978
Stores inventories	-	-	-	152,702
Total assets	\$ 22,440,525	\$ 13,667,266	\$ 16,190,322	\$ 90,714,904
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 196,051	\$ -	\$ 1,951,137
Unearned revenue	-	-	-	190,002
Total liabilities	-	196,051	-	2,141,139
Fund Balances				
Nonspendable	-	-	-	157,772
Restricted	22,440,525	-	16,190,322	74,944,778
Assigned	-	13,471,215	-	13,471,215
Total fund balances	22,440,525	13,471,215	16,190,322	88,573,765
Total liabilities and fund balances	\$ 22,440,525	\$ 13,667,266	\$ 16,190,322	\$ 90,714,904

Downey Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues					
Federal sources	\$ -	\$ 2,217,317	\$ 12,741,457	\$ -	\$ -
Other State sources	-	2,038,029	7,198,773	-	-
Other local sources	4,100,344	3,601,079	692,307	115,769	646,978
Total revenues	4,100,344	7,856,425	20,632,537	115,769	646,978
Expenditures					
Current					
Instruction	-	5,511,137	-	-	-
Instruction-related activities					
Supervision of instruction	-	176,926	-	-	-
School site administration	-	2,616,521	-	-	-
Pupil services					
Food services	-	-	14,801,866	-	-
All other pupil services	-	258,613	-	-	-
Administration					
All other administration	-	215,105	243,276	-	134,090
Plant services	-	83,546	-	3,058,975	-
Ancillary services	3,757,862	-	-	-	-
Other outgo	-	-	-	-	-
Facility acquisition and construction	-	21,693	-	8,981	36,845
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	3,757,862	8,883,541	15,045,142	3,067,956	170,935
Excess (Deficiency) of Revenues Over Expenditures	342,482	(1,027,116)	5,587,395	(2,952,187)	476,043
Other Financing Sources					
Transfers in	-	-	-	3,252,000	-
Other sources - proceeds from sale of bonds	-	-	-	-	-
Net Financing Sources	-	-	-	3,252,000	-
Net Change in Fund Balances	342,482	(1,027,116)	5,587,395	299,813	476,043
Fund Balance - Beginning	1,452,945	5,554,560	14,840,262	6,727,636	2,217,683
Fund Balance - Ending	\$ 1,795,427	\$ 4,527,444	\$ 20,427,657	\$ 7,027,449	\$ 2,693,726

Downey Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental
Funds
Year Ended June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ 14,958,774
Other State sources	1,533,515	-	71,274	10,841,591
Other local sources	540,548	1,204,240	18,613,900	29,515,165
Total revenues	2,074,063	1,204,240	18,685,174	55,315,530
Expenditures				
Current				
Instruction	-	-	-	5,511,137
Instruction-related activities				
Supervision of instruction	-	-	-	176,926
School site administration	-	-	-	2,616,521
Pupil services				
Food services	-	-	-	14,801,866
All other pupil services	-	-	-	258,613
Administration				
All other administration	-	-	-	592,471
Plant services	-	-	-	3,142,521
Ancillary services	-	-	-	3,757,862
Other outgo	-	-	4,172,778	4,172,778
Facility acquisition and construction	5,225,616	2,341,159	-	7,634,294
Debt service				
Principal	-	-	6,975,000	6,975,000
Interest and other	-	-	8,846,863	8,846,863
Total expenditures	5,225,616	2,341,159	19,994,641	58,486,852
Excess (Deficiency) of Revenues Over Expenditures	(3,151,553)	(1,136,919)	(1,309,467)	(3,171,322)
Other Financing Sources				
Transfers in	-	-	-	3,252,000
Other sources - proceeds from sale of bonds	-	-	4,172,778	4,172,778
Net Financing Sources	-	-	4,172,778	7,424,778
Net Change in Fund Balances	(3,151,553)	(1,136,919)	2,863,311	4,253,456
Fund Balance - Beginning	25,592,078	14,608,134	13,327,011	84,320,309
Fund Balance - Ending	\$ 22,440,525	\$ 13,471,215	\$ 16,190,322	\$ 88,573,765

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Downey Unified School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Downey Unified School District, it is not intended to and does not present the net position, or changes in net position and fund balance of the Downey Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District did not report any commodities inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of COVID-19: COVID CARES Act Supplemental Meal Reimbursement and COVID-19: School Nutrition Program Emergency Operational Costs Reimbursement funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, COVID 19: Higher Education Emergency Relief Funds - Institutional Portion, CACFP Claims - Centers and Family Day Care and Supply Chain Assistance (SCA) Funds have been recorded in the current period as revenues that have not been expended as of June 30, 2023. These unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues Reported On The Financial Statements		\$ 53,756,667
COVID-19: COVID CARES Act Supplemental Meal Reimbursement	84.425D	464,652
COVID-19: Higher Education Emergency Relief Funds -Institutional Portion	84.425F	(33,784)
CACFP Claims - Centers and Family Day Care	10.558	(223,464)
COVID-19: School Nutrition Program Emergency Operational Costs Reimbursement	10.555	583,815
Supply Chain Assistance (SCA) Funds	10.555	(89,230)
Total federal financial assistance		<u>\$ 54,458,656</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2023

Downey Unified School District



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

To the Governing Board
Downey Unified School District
Downey, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downey Unified School District (the 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 December 15, 2023.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. As a result of implementing the standard, there was no effect on the governmental activities beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 15, 2023



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

To the Governing Board
Downey Unified School District
Downey, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Downey Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Downey Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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 item 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 District's response to the noncompliance finding 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 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 over compliance 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 a significant deficiency.

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.

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.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 15, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
Downey Unified School District
Downey, California

Report on Compliance

Opinion on State Compliance

We have audited Downey Unified School District's (the District) compliance with the requirements specified in the *2022-2023 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, the Downey Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 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 *2022-2023 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 *2022-2023 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:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	No, see below
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

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

The District did not have any employees retire under the CalSTRS Early Retirement Incentive Program; therefore, testing was not required.

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

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

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

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

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

The District did not expend any Expanded Learning Opportunities Grant (ELO-G) funds in the current year, therefore, we did not perform the procedures for Expanded Learning Opportunities Grant (ELO-G).

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 15, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

Downey Unified School District

Downey Unified School District
Summary of Auditor's Results
Year Ended June 30, 2023

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
COVID-19: Higher Education Emergency Relief Funds -Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds -Institutional Portion	84.425F
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: COVID CARES Act Supplemental Meal Reimbursement	84.425D
COVID-19: ARP Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U
COVID-19: ARP Elementary and Secondary School Emergency Relief (ESSER) Fund - Homeless Children and Youth	84.425W
Dollar threshold used to distinguish between type A and type B programs	\$1,633,760
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

The following finding represents a significant deficiency in internal control over compliance and an instance of noncompliance that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2023-001 50000 – NSLDS Reporting Requirements

Program Name: Federal Pell Program
Federal Financial Assistance Listing Numbers: 84.063
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institutions' Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information: "Campus Level" and "Program Level", both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition

Significant Deficiency in Internal Control over Compliance – During testing over the NSLDS reporting requirements, the following deficiencies were noted:

- One of ten students did not have a Program Start Date that matched between the District's records and the NSLDS Program Screen.
- One of ten students did not have updated enrollment status changes reported correctly to NSLDS.

Questioned Costs

There are no questioned costs associated with the noncompliance.

Context

The District disbursed financial aid to approximately 400 students that required student enrollment and program enrollment reporting to NSLDS. A non-statistical sample of 10 students were haphazardly selected to perform prior year finding follow-up procedures.

Effect

The District is not in compliance with the Federal enrollment reporting requirements described in the OMB Compliance Supplement.

Cause

The District did not report the enrollment information for students under the Pell Grant Program via NSLDS accurately.

Repeat Finding (Yes or No)

Yes. See item 2022-001 in the Summary Schedule of Prior Year Audit Findings.

Recommendation

The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Corrective Action Plan and Views of Responsible Officials

The Downey Adult School concurs with the finding and to prevent future occurrences, the school purchased a new student database management software system (Campus Café) that was implemented on August 1, 2023. The school also partnered with National Student Clearinghouse (NSCH). NSCH articulates with the new student database management software system (Campus Café). The new student database management software system together with National Student Clearinghouse will help to prevent human errors and omissions from occurring when reporting National Student Loan Data System (NSLDS) data.

While the district purchased the new system in November of 2022, the school did not begin using the new system(s) until August of 2023 because the switch had to be implemented at the beginning of the fiscal year. Implementation is a several month process and all DAS employees have been receiving extensive training (ongoing) to be proficient and comfortable with the new system(s). We have ongoing weekly training for all DAS staff as we continue to fully implement the new student database management software system.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

2022-001 50000 – NSLDS Reporting Requirements

Program Name: Federal Pell Program
Federal Financial Assistance Listing Numbers: 84.063
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institutions' Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information: "Campus Level" and "Program Level", both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition

Significant Deficiency in Internal Control over Compliance – During testing over the NSLDS reporting requirements, the following deficiencies were noted:

- Two of 60 student certification dates were not within 60 days of the date of change reported on NSLDS.
- Four of 60 students did not have program enrollment information reported to NSLDS.

Questioned Costs

There are no questioned costs associated with the noncompliance.

Context

The District disbursed financial aid to approximately 550 students that required student enrollment and program enrollment reporting to NSLDS. A non-statistical sample of 60 students were haphazardly selected for testing of compliance requirements.

Effect

The District is not in compliance with the Federal enrollment reporting requirements described in the OMB Compliance Supplement.

Cause

The District did not report enrollment information for students under the Pell Grant Programs via NSLDS timely or accurately.

Repeat Finding (Yes or No)

No.

Recommendation

The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Current Status

Not implemented. See current year finding 2023-001.

State Compliance Findings

None reported.