

DOWNEY UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2024

NIGRO & NIGRO^{PC}

DOWNEY UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2024

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DOWNEY UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2024

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Downey Unified School District
Downey, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District, as of and for the fiscal year ended June 30, 2024, 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 Downey Unified School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

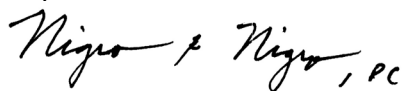
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the LEA Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to the materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
November 12, 2024

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DOWNEY UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

This discussion and analysis of Downey Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

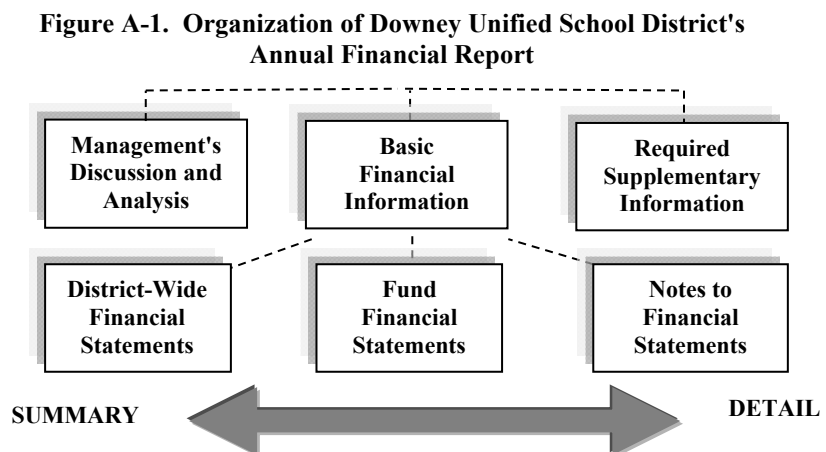
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$49.2 million, or 63.6%.
- Governmental expenses were about \$482.4 million. Revenues were about \$531.6 million.
- The District acquired over \$26.6 million in new capital assets during the year.
- Governmental funds increased by \$33.9 million, or 10.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



DOWNEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-Wide Statements

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- 1) *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 that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) *Proprietary funds* – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provides more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation, health insurance, dental, and vision insurance.

DOWNEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2024, than it was the year before – increasing 63.6% to \$126.5 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2024	2023	Net Change
Assets			
Current assets	\$ 474,466,832	\$ 454,883,182	\$ 19,583,650
Capital assets	453,987,478	441,646,202	12,341,276
Total assets	928,454,310	896,529,384	31,924,926
Total Deferred outflows of resources	173,910,795	129,626,052	44,284,743
Liabilities			
Current liabilities	41,341,500	55,997,674	(14,656,174)
Long-term liabilities	851,252,923	806,926,797	44,326,126
Total liabilities	892,594,423	862,924,471	29,669,952
Total Deferred inflows of resources	83,287,112	85,904,112	(2,617,000)
Net position			
Net investment in capital assets	193,151,242	175,327,118	17,824,124
Restricted	228,311,300	208,329,870	19,981,430
Unrestricted	(294,978,972)	(306,330,135)	11,351,163
Total net position	\$ 126,483,570	\$ 77,326,853	\$ 49,156,717

Changes in net position, governmental activities. The District's total revenues increased 2.9% to \$531.6 million (See Table A-2). The increase is due primarily to increased federal and state grants.

The total cost of all programs and services increased 4.7% to \$482.4 million. The District's expenses are predominantly related to educating and caring for students, 77.7%. The purely administrative activities of the District accounted for just 5.7% of total costs. A significant contributor to the increase in costs was increased salaries and benefits, plus increased pension costs.

DOWNEY UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		
	2024	2023	Net Change
Revenues			
Program Revenues:			
Charges for services	\$ 13,779,245	\$ 12,410,619	\$ 1,368,626
Operating grants and contributions	154,668,536	199,004,664	(44,336,128)
Capital grants and contributions	16,834,529	2,074,063	14,760,466
General Revenues:			
Property taxes	75,998,969	65,556,855	10,442,114
Federal and state aid not restricted	252,071,439	232,288,109	19,783,330
Other general revenues	18,246,194	5,310,328	12,935,866
Total Revenues	531,598,912	516,644,638	14,954,274
Expenses			
Instruction-related	321,828,420	304,342,544	17,485,876
Pupil services	52,956,223	47,793,737	5,162,486
Administration	27,270,764	19,824,836	7,445,928
Plant services	37,230,834	27,054,854	10,175,980
All other activities	43,155,954	61,977,905	(18,821,951)
Total Expenses	482,442,195	460,993,876	21,448,319
Increase (decrease) in net position	\$ 49,156,717	\$ 55,650,762	\$ (6,494,045)
Total Net Position	\$ 126,483,570	\$ 77,326,853	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$370.5 million, which is above last year's ending fund balance of \$336.6 million. The primary cause of the increased fund balance is increased federal and state grants, as well as increased ADA funding.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2023	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2024
General Fund	\$ 128,707,747	\$ 442,320,239	\$ 421,213,278	\$ (8,445,000)	\$ 141,369,708
Student Activity Fund	1,795,427	4,399,809	4,015,707	-	2,179,529
Special Education Pass-Through Fund	-	19,007,344	19,007,344	-	-
Adult Education Fund	4,527,444	9,524,232	9,457,167	500,000	5,094,509
Cafeteria Fund	20,427,657	23,512,260	18,204,364	-	25,735,553
Deferred Maintenance Fund	7,027,449	241,798	6,352,735	3,886,000	4,802,512
Building Fund	119,349,349	4,051,007	6,692,388	-	116,707,968
Capital Facilities Fund	2,693,726	903,121	303,719	-	3,293,128
County School Facilities Fund	22,440,525	17,000,850	8,802,622	-	30,638,753
Special Reserve Fund (Capital Outlay)	13,471,215	4,868,424	945,449	3,979,000	21,373,190
Bond Interest and Redemption Fund	16,190,322	22,831,103	19,682,011	-	19,339,414
Totals	\$ 336,630,861	\$ 548,660,187	\$ 514,676,784	\$ (80,000)	\$ 370,534,264

DOWNEY UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

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

- Revenues – increased by \$19.7 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$9.0 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$12.5 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$6.1 million, the actual results for the year show that revenues exceeded expenditures by roughly \$21.1 million. Actual revenues were \$12.1 million more than anticipated, and expenditures were \$15.1 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2024, that will be carried over into the 2024-25 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023-24 the District had acquired \$26.6 million in new capital assets, related to land, construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$14.1 million and amortization was \$120,173.

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

	Governmental Activities		
	2024	2023	Net Change
Land	\$ 19,311,663	\$ 19,311,663	\$ -
Land improvements	7,117,074	8,239,761	(1,122,687)
Buildings and improvements	373,717,428	191,283,458	182,433,970
Machinery and equipment	10,202,545	7,889,907	2,312,638
Construction in progress	43,489,297	214,651,769	(171,162,472)
Subscription-based IT assets	149,471	269,644	(120,173)
Total	\$ 453,987,478	\$ 441,646,202	\$ 12,341,276

Long-Term Debt

At year-end the District had \$851.3 million in long-term liabilities – an increase of 5.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		
	2024	2023	Net Change
General obligation bonds	\$ 380,796,762	\$ 388,552,695	\$ (7,755,933)
Subscription liability	78,066	125,769	(47,703)
Claims liability	17,276,469	15,326,469	1,950,000
Supplemental early retirement plan liability	7,769,560	10,690,724	(2,921,164)
Compensated absences	3,081,842	2,942,118	139,724
Total OPEB liability	136,372,331	117,086,382	19,285,949
Net pension liability	305,877,893	272,202,640	33,675,253
Total	\$ 851,252,923	\$ 806,926,797	\$ 44,326,126

DOWNEY UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly \$5 billion in additional revenue. The Legislature's budget used that additional budget capacity to reject some of the Governor's spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly \$1 billion) in general purpose reserves than the May Revision.

K-14 Education

Funds Modest COLA and a Few Smaller Augmentations

For 2024-25, the budget provides \$1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of \$300 million (\$179 million ongoing and \$121 million one time) to cover cost increases related to universal school meals. A small portion of the budget's remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

Implements Small Payment Deferral

The budget reduces spending in 2024-25 by deferring \$487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

Suspends Proposition 98 Requirement and Reduces Spending

For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by \$8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a \$2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by \$12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve (\$8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly \$1.1 billion.

Bond Funds

The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow \$10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about \$500 million each year for 35 years. Proposition 4 would allow the state to borrow \$10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about \$400 million each year for 40 years. The cost to repay both bonds would total about \$900 million each year.

DOWNEY UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Scores Savings Related to Attendance and a Few Other Adjustments

In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024-25, the budget assumes savings of \$1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains \$1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the Downey Unified School District budget for the 2024-25 fiscal year.

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 any questions about this report or need additional financial information, contact Robert McEntire, Ed.D., Associate Superintendent – Business Services, at Downey Unified School District, 11627 Brookshire Ave., Downey, California 90241, or (562) 469-6521.

DOWNEY UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2024*

	Governmental Activities
ASSETS	
Deposits and investments	\$ 433,365,905
Accounts receivable	31,587,839
Prepaid expenses	223,345
Inventories	657,579
Lease receivables	8,632,164
Capital assets:	
Non-depreciable capital assets	62,800,960
Depreciable capital assets	568,758,176
Less accumulated depreciation	(177,721,129)
Subscription assets:	388,192
Less accumulated amortization	(238,721)
Total assets	<u>928,454,310</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	261,325
Deferred outflows related to OPEB	51,907,177
Deferred outflows related to pensions	121,742,293
Total deferred outflows of resources	<u>173,910,795</u>
LIABILITIES	
Accounts payable	32,948,985
Accrued interest payable	5,736,047
Unearned revenue	2,656,468
Noncurrent liabilities:	
Due or payable within one year	16,239,196
Due in more than one year:	
Other than pensions	392,763,503
Total OPEB liability	136,372,331
Net pension liability	305,877,893
Total liabilities	<u>892,594,423</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	8,632,164
Deferred inflows related to OPEB	44,216,903
Deferred inflows related to pensions	30,438,045
Total deferred inflows of resources	<u>83,287,112</u>
NET POSITION	
Net investment in capital assets	193,151,242
Restricted for:	
Capital projects	33,931,881
Debt service	19,339,414
Student activities	2,179,529
Self-insurance programs	42,418,482
Categorical programs	130,441,994
Unrestricted	(294,978,972)
Total net position	<u>\$ 126,483,570</u>

DOWNEY UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 278,390,440	\$ 8,620,111	\$ 86,443,739	\$ 16,834,529	\$ (166,492,061)
Instruction-Related Services:					
Supervision of instruction	11,430,203	489,159	3,528,418	-	(7,412,626)
Instructional library, media and technology	3,252,446	-	1,254,985	-	(1,997,461)
School site administration	28,755,331	190,384	6,903,080	-	(21,661,867)
Pupil Support Services:					
Home-to-school transportation	4,017,079	43,005	149,563	-	(3,824,511)
Food services	18,359,171	630,822	22,550,620	-	4,822,271
All other pupil services	30,579,973	474,873	8,308,486	-	(21,796,614)
General Administration Services:					
Data processing services	4,080,146	6,997	368,721	-	(3,704,428)
Other general administration	23,190,618	26,266	1,842,911	-	(21,321,441)
Plant services	37,230,834	599,803	9,502,318	-	(27,128,713)
Ancillary services	5,533,472	1,018	4,235,976	-	(1,296,478)
Enterprise activities	3,425,423	-	125,856	-	(3,299,567)
Interest on long-term debt	13,378,842	-	-	-	(13,378,842)
Other outgo	20,818,217	2,696,807	9,453,863	-	(8,667,547)
Total Governmental Activities	\$ 482,442,195	\$ 13,779,245	\$ 154,668,536	\$ 16,834,529	(297,159,885)
General Revenues:					
Property taxes					75,998,969
Federal and state aid not restricted to specific purpose					252,071,439
Interest and investment earnings					7,984,814
Miscellaneous					10,261,380
Subtotal general revenues					346,316,602
Change in net position					49,156,717
Net position - July 1, 2023					77,326,853
Net position - June 30, 2024					\$ 126,483,570

DOWNEY UNIFIED SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2024*

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 143,818,727	\$ 116,015,066	\$ 112,725,506	\$ 372,559,299
Accounts receivable	24,723,130	1,259,357	5,236,625	31,219,112
Stores inventories	432,205	-	225,374	657,579
Prepaid expenditures	223,345	-	-	223,345
Lease receivables	8,632,164	-	-	8,632,164
Total Assets	<u>\$ 177,829,571</u>	<u>\$ 117,274,423</u>	<u>\$ 118,187,505</u>	<u>\$ 413,291,499</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 25,322,911	\$ 566,455	\$ 5,579,237	\$ 31,468,603
Unearned revenue	2,504,788	-	151,680	2,656,468
Total Liabilities	<u>27,827,699</u>	<u>566,455</u>	<u>5,730,917</u>	<u>34,125,071</u>
Deferred Inflows of Resources				
Deferred inflows related to leases	<u>8,632,164</u>	<u>-</u>	<u>-</u>	<u>8,632,164</u>
Fund Balances				
Nonspendable	836,938	-	230,444	1,067,382
Restricted	103,851,491	116,707,968	81,810,928	302,370,387
Committed	750,000	-	-	750,000
Assigned	-	-	30,415,216	30,415,216
Unassigned	35,931,279	-	-	35,931,279
Total Fund Balances	<u>141,369,708</u>	<u>116,707,968</u>	<u>112,456,588</u>	<u>370,534,264</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 177,829,571</u>	<u>\$ 117,274,423</u>	<u>\$ 118,187,505</u>	<u>\$ 413,291,499</u>

DOWNEY UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2024

Total fund balances - governmental funds \$ 370,534,264

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

Capital assets at historical cost:	631,559,136	
Accumulated depreciation:	(177,721,129)	
Lease assets at historical cost:	388,192	
Accumulated amortization:	(238,721)	
Net:		453,987,478

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

(5,736,047)

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

261,325

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

General obligation bonds	380,796,762	
Subscription liability	78,066	
Supplemental early retirement plan liability	7,769,560	
Compensated absences	3,081,842	
Total OPEB liability	136,372,331	
Net pension liability	305,877,893	
Total		(833,976,454)

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

Deferred outflows of resources	51,907,177	
Deferred inflows of resources	(44,216,903)	
Total		7,690,274

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

Deferred outflows of resources	121,742,293	
Deferred inflows of resources	(30,438,045)	
Total		91,304,248

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

42,418,482

Total net position - governmental activities \$ 126,483,570

DOWNEY UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2024

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 299,672,737	\$ -	\$ -	\$ 299,672,737
Federal sources	40,896,140	-	16,965,051	57,861,191
Other state sources	74,942,586	-	45,482,670	120,425,256
Other local sources	26,808,776	4,051,007	39,841,220	70,701,003
Total Revenues	442,320,239	4,051,007	102,288,941	548,660,187
EXPENDITURES				
Current:				
Instruction	278,575,467	-	6,165,073	284,740,540
Instruction-Related Services:				
Supervision of instruction	11,820,900	-	191,460	12,012,360
Instructional library, media and technology	3,379,641	-	-	3,379,641
School site administration	27,256,390	-	2,550,952	29,807,342
Pupil Support Services:				
Home-to-school transportation	4,010,620	-	-	4,010,620
Food services	299,771	-	17,880,094	18,179,865
All other pupil services	30,680,663	-	260,401	30,941,064
Ancillary services	1,614,378	-	4,015,707	5,630,085
Enterprise activities	3,113,932	-	-	3,113,932
General Administration Services:				
Data processing services	10,298,628	-	-	10,298,628
Other general administration	18,032,580	-	141,049	18,173,629
Transfers of indirect costs	(514,348)	-	514,348	-
Plant services	28,574,934	-	6,422,723	34,997,657
Capital outlay	2,207,637	6,692,388	9,939,956	18,839,981
Intergovernmental transfers	1,810,873	-	19,007,344	20,818,217
Debt service:				
Principal	47,703	-	7,498,590	7,546,293
Interest	3,509	-	12,183,421	12,186,930
Total Expenditures	421,213,278	6,692,388	86,771,118	514,676,784
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,106,961	(2,641,381)	15,517,823	33,983,403
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	8,365,000	8,365,000
Interfund transfers out	(8,445,000)	-	-	(8,445,000)
Total Other Financing Sources and Uses	(8,445,000)	-	8,365,000	(80,000)
Net Change in Fund Balances	12,661,961	(2,641,381)	23,882,823	33,903,403
Fund Balances, July 1, 2023	128,707,747	119,349,349	88,573,765	336,630,861
Fund Balances, June 30, 2024	\$ 141,369,708	\$ 116,707,968	\$ 112,456,588	\$ 370,534,264

DOWNEY UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2024

Total net change in fund balances - governmental funds \$ 33,903,403

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

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

Expenditures for capital outlay	26,587,131	
Depreciation expense	(14,123,582)	
Amortization expense	<u>(120,173)</u>	
Net:		12,343,376

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

7,546,293

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

(42,046)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(2,100)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was:

(362,638)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums or discount for the period was:

619,981

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

(1,407,209)

In the statement of activities, 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).

(139,724)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, including early retirement incentives. This year, expenses incurred for such obligations were:

2,921,164

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

1,560,970

In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was:

(7,559,760)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(224,993)

Change in net position of governmental activities \$ 49,156,717

DOWNEY UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2024

	Governmental Activities
	Internal Service
	Funds
ASSETS	
Current Assets	
Deposits and investments	\$ 60,806,606
Accounts receivable	368,727
Total Assets	61,175,333
LIABILITIES	
Current Liabilities	
Accounts payable	1,480,382
Claims liability, current portion	1,632,000
Total current liabilities	3,112,382
Non-Current Liabilities	
Claims liability, non-current portion	15,644,469
Total Liabilities	18,756,851
NET POSITION	
Restricted for self-insurance	\$ 42,418,482

DOWNEY UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2024*

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges to other funds	\$ 29,633,732
Other local revenues	1,079,124
Total operating revenues	30,712,856
OPERATING EXPENSES	
Salaries and benefits	284,525
Supplies and materials	1,566
Services and other operating expenses	32,569,712
Total operating expenses	32,855,803
Operating Income (Loss)	(2,142,947)
NON-OPERATING REVENUES	
Interest income	1,837,954
Income (Loss) before transfers	(304,993)
TRANSFERS	
Interfund transfers in	80,000
Change in net position	(224,993)
Net position, July 1, 2023	42,643,475
Net position, June 30, 2024	\$ 42,418,482

DOWNEY UNIFIED SCHOOL DISTRICT*Statement of Cash Flows – Proprietary Funds**For the Fiscal Year Ended June 30, 2024*

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 30,389,393
Cash payments for payroll, insurance and operating costs	<u>(32,371,221)</u>
Net cash provided (used) by operating activities	(1,981,828)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>2,295,662</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund transfers	<u>80,000</u>
Net increase (decrease) in cash and cash equivalents	393,834
Cash, July 1, 2023	<u>60,412,772</u>
Cash, June 30, 2024	<u>\$ 60,806,606</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,142,947)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(323,463)
Increase (decrease) in accounts payable	(1,465,418)
Increase (decrease) in claims liability	<u>1,950,000</u>
Net cash provided (used) by operating activities	<u>\$ (1,981,828)</u>

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. 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. 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.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-wide Financial Statements

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

District-wide Financial Statements (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

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

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

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

Deferred Maintenance Fund: This fund is used to account for separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

County School Facilities Fund: This fund is used primarily to account 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 17070.10 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: 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 these funds is eliminated in the government-wide statement of activities.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

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

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

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

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

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

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

Description	Estimated Lives
Buildings	20-50 years
Improvements	5-50 years
Equipment	2-15 years

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

7. Leases

Lessee:

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases (continued)

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

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

Lessor:

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

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

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

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

8. Subscription-Based Information Technology Arrangements

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

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

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Postemployment Benefits Other Than Pensions (OPEB)

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

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

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

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position

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

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

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

F. Minimum Fund Balance Policy

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Chief Financial Officer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In fiscal year 2017-2018, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

G. Property Tax Calendar

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

H. Use of Estimates

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Change in Accounting Principle

For the fiscal year ended June 30, 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 372,559,299
Proprietary funds	60,806,606
Total deposits and investments	<u>\$ 433,365,905</u>

Deposits and investments as of June 30, 2024 consist of the following:

Cash on hand and in banks	\$ 2,179,530
Cash in revolving fund	539,070
Investments	430,647,305
Total deposits and investments	<u>\$ 433,365,905</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Los Angeles County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Los Angeles County Treasurer for the entire portfolio (in relation to the amortized cost of that pool). The balance available for withdrawal is based on the accounting records maintained by the Los Angeles County Treasurer, which is recorded on the amortized basis.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

As of June 30, 2024, \$3,099,354 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2024, consist of the following:

	Rating	Reported Amount	Maturity		Fair Value Measurement
			Less Than One Year	One Year Through Five Years	
Investment maturities:					
Los Angeles County Investment Pool	N/A	\$ 430,647,305	\$ 430,647,305	\$ -	Uncategorized

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2024, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2024, the District did not have any investments outside the County treasury.

Fair Value Measurements

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

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

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

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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

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

NOTE 3 –RECEIVABLES

A. Accounts Receivable

Accounts receivable as of June 30, 2024, consisted of the following:

	Governmental Activities				
	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Funds
Federal Government:					
Categorical aid programs	\$ 16,192,446	\$ -	\$ 2,988,078	\$ 19,180,524	\$ -
State Government:					
Lottery	1,393,268	-	-	1,393,268	-
Categorical aid programs	3,671,830	-	1,315,193	4,987,023	-
Local:					
Interest	1,543,158	1,259,357	865,031	3,667,546	45,264
Other local	1,922,428	-	68,323	1,990,751	323,463
Total	<u>\$ 24,723,130</u>	<u>\$ 1,259,357</u>	<u>\$ 5,236,625</u>	<u>\$ 31,219,112</u>	<u>\$ 368,727</u>

B. Lease Receivables

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 \$239,782 in lease revenue and \$18,624 in interest revenue related to these agreements. At June 30, 2024, the District recorded \$8,632,164 in lease receivables, of which \$74,207 is related to interest receivable and \$8,557,958 in principal receivable, and \$8,632,164 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.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 4 – INTERFUND ACTIVITIES

Interfund Transfers In/Out

Interfund transfers in/out of other funds during the 2023-24 year consisted of the following:

Transfer from General Fund to Adult Education Fund to support the Adult Education program	\$	500,000
Transfer from General Fund to Deferred Maintenance Fund to contribute to the maintenance of District facilities		3,886,000
Transfer from General Fund to Special Reserve Fund for Capital Outlay Projects to fund additional projects in the District's Facilities Master Plan		3,979,000
Transfer from General Fund to Self-Insurance Fund to pay insurance obligations		80,000
Total	\$	<u>8,445,000</u>

NOTE 5 – FUND BALANCES

At June 30, 2024, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 50,000	\$ -	\$ 5,070	\$ 55,070
Stores inventories	432,205	-	225,374	657,579
Prepaid expenditures	223,345	-	-	223,345
All others	131,388	-	-	131,388
Total Nonspendable	<u>836,938</u>	<u>-</u>	<u>230,444</u>	<u>1,067,382</u>
Restricted:				
Categorical programs	103,851,491	-	854,950	104,706,441
Student body funds	-	-	2,179,529	2,179,529
Child nutrition program	-	-	25,505,154	25,505,154
Capital projects	-	116,707,968	33,931,881	150,639,849
Debt service	-	-	19,339,414	19,339,414
Total Restricted	<u>103,851,491</u>	<u>116,707,968</u>	<u>81,810,928</u>	<u>302,370,387</u>
Committed:				
Other commitments	750,000	-	-	750,000
Total Committed	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Assigned:				
Adult education program	-	-	4,239,514	4,239,514
Deferred maintenance program	-	-	4,802,512	4,802,512
Capital projects	-	-	21,373,190	21,373,190
Total Assigned	<u>-</u>	<u>-</u>	<u>30,415,216</u>	<u>30,415,216</u>
Unassigned:				
Reserve for economic uncertainties	21,598,769	-	-	21,598,769
Remaining unassigned balances	14,332,510	-	-	14,332,510
Total Unassigned	<u>35,931,279</u>	<u>-</u>	<u>-</u>	<u>35,931,279</u>
Total	<u>\$ 141,369,708</u>	<u>\$ 116,707,968</u>	<u>\$ 112,456,588</u>	<u>\$ 370,534,264</u>

DOWNEY UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2024***NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Deletions	Balance, June 30, 2024
Capital assets not being depreciated:				
Land	\$ 19,311,663	\$ -	\$ -	\$ 19,311,663
Construction in progress	214,651,769	17,849,185	189,011,657	43,489,297
Total capital assets not being depreciated	233,963,432	17,849,185	189,011,657	62,800,960
Capital assets being depreciated:				
Land improvements	28,028,630	-	-	28,028,630
Buildings and improvements	311,073,544	193,905,509	-	504,979,053
Machinery and equipment	31,911,648	3,844,094	5,249	35,750,493
Total capital assets being depreciated	371,013,822	197,749,603	5,249	568,758,176
Accumulated depreciation for:				
Land improvements	(19,788,869)	(1,122,687)	-	(20,911,556)
Buildings and improvements	(119,790,086)	(11,471,539)	-	(131,261,625)
Machinery and equipment	(24,021,741)	(1,529,356)	(3,149)	(25,547,948)
Total accumulated depreciation	(163,600,696)	(14,123,582)	(3,149)	(177,721,129)
Total capital assets being depreciated, net	207,413,126	183,626,021	2,100	391,037,047
Capital assets, net	441,376,558	201,475,206	189,013,757	453,838,007
Subscription-based IT assets:				
Subscription-based IT assets:	388,192	-	-	388,192
Accumulated amortization	(118,548)	(120,173)	-	(238,721)
Subscription-based IT assets, net	269,644	(120,173)	-	149,471
Total capital assets, net	\$ 441,646,202	\$ 201,355,033	\$ 189,013,757	\$ 453,987,478

Depreciation and amortization expense was charged to governmental activities as follows:

Depreciation and amortization by function:	Governmental Activities
Instruction	\$ 10,490,729
Home-to-school transportation	144,365
Food services	603,381
All other pupil services	1,094,272
All other general administration	255,847
Centralized data processing	508,222
Plant services	1,146,939
Total depreciation and amortization expense	\$ 14,243,755

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Changes in long-term debt for the year ended June 30, 2024, were as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 371,698,240	\$ -	\$ 7,498,590	\$ 364,199,650	\$ 11,539,356
Accreted Interest	2,706,661	489,048	126,410	3,069,299	455,644
Unamortized Issuance Premium	14,147,794	-	619,981	13,527,813	619,981
Total GO Bonds	388,552,695	489,048	8,244,981	380,796,762	12,614,981
Subscription-Based IT Arrangements	125,769	-	47,703	78,066	49,825
Claims Liability	15,326,469	27,378,802	25,428,802	17,276,469	1,632,000
Supplemental Employee Retirement Plan	10,690,724	-	2,921,164	7,769,560	1,942,390
Compensated Absences	2,942,118	139,724	-	3,081,842	-
Sub-Totals	\$ 417,637,775	\$ 28,007,574	\$ 36,642,650	\$ 409,002,699	\$ 16,239,196

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.

A. General Obligation Bonds

Election of 2014 (Measure O)

General obligation bonds were authorized at an election of the registered voters of the District held on November 4, 2014 authorizing the issuance of \$248 million principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

Election of 2022 (Measure K)

General obligation bonds were authorized at an election of the registered voters of the District held on November 8, 2022 authorizing the issuance of \$504 million principal amount of general obligation bonds to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds.

Defeasance of Debt

The District has defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2024, there was no principal balance outstanding on the defeased debt.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2024, deferred amounts on refunding were \$261,325.

Summary

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

A. General Obligation Bonds (continued)

A summary of all bonds issued and outstanding at June 30, 2024 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Refunding Bonds								
1999 Refunding	4/1/1999	8/1/2027	4.60% - 6.10%	\$ 9,680,256	\$ 1,090,256	\$ -	\$ 558,590	\$ 531,666
2007 Refunding	4/12/2007	8/1/2025	4.00% - 5.25%	21,030,000	7,240,000	-	2,205,000	5,035,000
2015 Refunding	12/15/2015	2/1/2027	3.04%	3,015,000	2,935,000	-	5,000	2,930,000
2016 Refunding	5/4/2016	8/1/2029	3.14%	7,380,000	4,015,000	-	565,000	3,450,000
2021 Refunding	5/27/2021	8/1/2031	4.00%	10,475,000	8,135,000	-	2,255,000	5,880,000
Sub-Total				51,580,256	23,415,256	-	5,588,590	17,826,666
Election of 2014 (Measure O)								
Series A	10/29/2015	8/1/2045	3.00% - 4.00%	50,000,000	34,935,000	-	-	34,935,000
Series B	2/5/2019	8/1/2048	3.25% - 5.00%	125,000,000	116,900,000	-	-	116,900,000
Series B-1	2/5/2019	8/1/2039	2.80% - 3.85%	9,997,984	9,997,984	-	-	9,997,984
Series C	5/27/2021	8/1/2048	2.00% - 4.00%	63,000,000	61,450,000	-	1,910,000	59,540,000
Sub-Total				247,997,984	223,282,984	-	1,910,000	221,372,984
Election of 2022 (Measure K)								
Series A	6/6/2023	8/1/2052	4.00% - 5.00%	125,000,000	125,000,000	-	-	125,000,000
Sub-Total				125,000,000	125,000,000	-	-	125,000,000
Totals					\$ 371,698,240	\$ -	\$ 7,498,590	\$ 364,199,650
Accreted Interest:					Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
				1999 Refunding	\$ 1,303,282	\$ 107,040	\$ 126,410	\$ 1,283,912
				Series 2014 B-1	1,403,379	382,008	-	1,785,387
Totals					\$ 2,706,661	\$ 489,048	\$ 126,410	\$ 3,069,299

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2024-2025	\$ 11,539,356	\$ 13,951,196	\$ 25,490,552
2025-2026	9,995,843	13,604,832	23,600,675
2026-2027	6,535,909	13,118,552	19,654,461
2027-2028	2,615,558	12,575,851	15,191,409
2028-2029	3,425,000	12,375,952	15,800,952
2029-2034	21,440,599	62,181,935	83,622,535
2034-2039	44,955,717	58,315,840	103,271,557
2039-2044	83,456,668	44,233,295	127,689,963
2044-2049	134,845,000	22,705,534	157,550,534
2049-2053	45,390,000	3,828,200	49,218,200
Total	\$ 364,199,650	\$ 256,891,187	\$ 621,090,837

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

B. Subscription-Based Information Technology Arrangements (SBITAs)

During the previous 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, 2024, the value of the total subscription liabilities for these contracts was \$78,066. 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 \$238,721, as of June 30, 2024, respectively.

Fiscal Year	Payment
2024-2025	\$ 49,825
2025-2026	28,241
Total	<u>\$ 78,066</u>

C. Supplemental Employee Retirement 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, 2024, the remaining balance of the payments are:

Fiscal Year	Payment
2024-2025	\$ 1,942,390
2025-2026	1,942,390
2026-2027	1,942,390
2027-2028	1,942,390
Total	<u>\$ 7,769,560</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 135,192,806	\$ 51,907,177	\$ 44,216,903	\$ 12,128,365
MPP Program	1,179,525	-	-	(53,746)
Totals	<u>\$ 136,372,331</u>	<u>\$ 51,907,177</u>	<u>\$ 44,216,903</u>	<u>\$ 12,074,619</u>

The details of each plan are as follows:

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

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.

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, 2023, the District paid \$3,004,429 in benefits.

Plan Membership

At the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	164
Active employees	<u>2,377</u>
Total	<u><u>2,541</u></u>

Total OPEB Liability

The District's total OPEB liability of \$135,192,806 for the Plan was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2023.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2023
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous and Schools Employees Table for classified employees.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 115,853,111
Changes for the year:	
Service cost	6,217,734
Interest	4,150,668
Differences between expected and actual experience	10,185,929
Changes of assumptions	1,789,793
Benefit payments	(3,004,429)
Net changes	19,339,695
Balance at June 30, 2023	\$ 135,192,806

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

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

Discount Rate	OPEB Liability
1% decrease	\$ 145,325,700
Current discount rate	\$ 135,192,806
1% increase	\$ 125,597,811

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 120,509,597
Current trend rate	\$ 135,192,806
1% increase	\$ 152,414,311

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$12,128,365. In addition, at June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,075,435	\$ 29,505,070
Changes of assumptions	12,325,332	14,711,833
District contributions subsequent to the measurement date of the net OPEB liability	2,506,410	-
Totals	<u>\$ 51,907,177</u>	<u>\$ 44,216,903</u>

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 4,717,850	\$ 3,713,102
2026	4,717,850	3,713,102
2027	4,717,850	3,713,102
2028	4,717,850	3,713,102
2029	4,717,850	3,713,102
Thereafter	25,811,517	25,651,393
Totals	<u>\$ 49,400,767</u>	<u>\$ 44,216,903</u>

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2023, 4,457 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2024, the District reported a liability of \$1,179,525 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net OPEB Liability	0.388721%	0.374387%	0.014335%

For the year ended June 30, 2024, the District reported OPEB expense of \$(53,746).

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Medicare Premium Payment (MPP) Program (continued)

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population of 138,780.

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

Sensitivity of the proportionate share of the net OPEB liability to changes in the discount rate

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

	MPP OPEB
Discount Rate	Liability
1% decrease	\$ 1,281,902
Current discount rate	\$ 1,179,525
1% increase	\$ 1,090,507

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the proportionate share of the net OPEB liability to changes in the Medicare costs trend rates

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,085,279
Current trend rate	\$ 1,179,525
1% increase	\$ 1,285,925

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2024, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 200,154,480	\$ 73,084,101	\$ 14,880,058	\$ 24,672,519
CalPERS	105,723,413	48,658,192	15,557,987	17,303,224
Totals	\$ 305,877,893	\$ 121,742,293	\$ 30,438,045	\$ 41,975,743

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided

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

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

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

Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were \$33,066,241.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	200,154,480
State's proportionate share of the net pension liability associated with the District		95,899,639
Total	\$	296,054,119

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2024	June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.262804%	0.249459%	0.013346%

For the year ended June 30, 2024, the District recognized pension expense of \$24,672,519. In addition, the District recognized pension expense and revenue of \$(1,392,659) for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 33,066,241	\$ -
Net change in proportionate share of net pension liability	22,273,305	4,170,778
Difference between projected and actual earnings		
on pension plan investments	856,742	-
Changes of assumptions	1,158,968	-
Differences between expected and actual experience	15,728,845	10,709,280
Totals	\$ 73,084,101	\$ 14,880,058

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 3,536,624	\$ 5,083,287
2026	3,536,624	7,785,766
2027	19,929,875	670,336
2028	3,781,190	670,336
2029	3,595,612	670,333
Thereafter	5,637,935	-
Totals	<u>\$ 40,017,860</u>	<u>\$ 14,880,058</u>

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	38.0%	5.25%
Real Estate	15.0%	4.05%
Private Equity	14.0%	6.75%
Fixed Income	14.0%	2.45%
Risk Mitigating Strategies	10.0%	2.25%
Inflation Sensitive	7.0%	3.65%
Cash/Liquidity	2.0%	0.05%

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 335,743,167
Current discount rate (7.10%)	\$ 200,154,480
1% increase (8.10%)	\$ 87,532,270

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$15,339,295.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

Benefits Provided

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

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

The CalPERS provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 55	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	55	62
Retirement Age	7.00%	8.00%
Required Employee Contribution Rate	26.68%	26.68%
Required Employer Contribution Rate		

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024 are presented above, and the total District contributions were \$14,074,166.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$105,723,413. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.292063%	0.287319%	0.004744%

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2024, the District recognized pension expense of \$17,303,224. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 14,074,166	\$ -
Net change in proportionate share of net pension liability	1,884,768	1,256,527
Difference between projected and actual earnings on pension plan investments	23,970,476	12,677,704
Changes of assumptions	4,870,635	-
Differences between expected and actual experience	3,858,146	1,623,756
Totals	<u>\$ 48,658,192</u>	<u>\$ 15,557,987</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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 13,144,580	\$ 7,813,913
2026	11,710,005	7,684,241
2027	9,093,358	59,833
2028	636,083	-
2029	-	-
Thereafter	-	-
Totals	<u>\$ 34,584,026</u>	<u>\$ 15,557,987</u>

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 152,848,727
Current discount rate (6.9%)	\$ 105,723,413
1% increase (7.9%)	\$ 66,775,414

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2024, the District reported payables of \$7,144,548 and \$1,202,088 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

NOTE 10 – 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.

Claims Liability

The District records an estimated liability for health, vision, dental, and workers' compensation 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.

DOWNEY UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 10 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES (continued)

Unpaid Claims Liabilities

The District 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, 2022 to June 30, 2024:

	Workers' Compensation	Health & Welfare	Dental	Vision	Total
Liability Balance, July 1, 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	(839,725)	(19,353,638)	(2,764,111)	(362,477)	(23,319,951)
Liability Balance, June 30, 2023	7,156,465	7,301,110	754,816	114,078	15,326,469
Claims and changes in estimates	2,522,739	22,106,357	2,389,779	359,927	27,378,802
Claims payments	(1,572,739)	(21,106,357)	(2,389,779)	(359,927)	(25,428,802)
Liability Balance, June 30, 2024	\$ 8,106,465	\$ 8,301,110	\$ 754,816	\$ 114,078	\$ 17,276,469
Assets available to pay claims at June 30, 2024					\$ 61,175,333

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2024, the District had commitments with respect to unfinished capital projects of approximately \$13.6 million to be paid from local funds.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2024.

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Required Supplementary Information

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DOWNEY UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 299,766,896	\$ 298,597,079	\$ 299,672,737	\$ 1,075,658
Federal	28,563,360	41,412,763	40,896,140	(516,623)
Other State	62,484,455	65,952,401	74,942,586	8,990,185
Other Local	19,719,823	24,292,135	26,808,776	2,516,641
Total Revenues	410,534,534	430,254,378	442,320,239	12,065,861
Expenditures				
Current:				
Certificated Salaries	170,116,279	175,361,432	173,459,469	1,901,963
Classified Salaries	53,210,468	55,265,569	54,212,666	1,052,903
Employee Benefits	110,860,138	112,559,790	112,874,918	(315,128)
Books and Supplies	18,970,004	26,062,211	20,135,338	5,926,873
Services and Other Operating Expenditures	53,696,015	50,955,801	48,450,538	2,505,263
Transfers of indirect costs	(549,447)	(507,162)	(514,348)	7,186
Capital Outlay	4,570,554	13,727,533	10,732,612	2,994,921
Other Outgo	3,969,142	2,912,963	1,862,085	1,050,878
Total Expenditures	414,843,153	436,338,137	421,213,278	15,124,859
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,308,619)	(6,083,759)	21,106,961	27,190,720
Other Financing Sources and Uses				
Interfund Transfers Out	(4,466,000)	(4,466,000)	(8,445,000)	(3,979,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,774,619)	(10,549,759)	12,661,961	23,211,720
Fund Balance, July 1, 2023	128,707,747	128,707,747	128,707,747	-
Fund Balance, June 30, 2024	\$ 119,933,128	\$ 118,157,988	\$ 141,369,708	\$ 23,211,720

DOWNEY UNIFIED SCHOOL DISTRICT*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2024*

	<i>Last Ten Fiscal Years</i>				
Employer's Fiscal Year Measurement Period	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19
District's proportion of the net pension liability	0.2628%	0.2495%	0.2351%	0.2371%	0.2307%
District's proportionate share of the net pension liability	\$ 200,154,480	\$ 173,338,859	\$ 107,002,157	\$ 229,791,710	\$ 208,399,137
State's proportionate share of the net pension liability associated with the District	95,899,639	86,807,423	53,839,335	118,457,654	113,695,642
Totals	\$ 296,054,119	\$ 260,146,282	\$ 160,841,492	\$ 348,249,364	\$ 322,094,779
District's covered payroll	\$ 164,835,942	\$ 145,558,174	\$ 131,124,223	\$ 130,694,947	\$ 124,932,568
District's proportionate share of the net pension liability as a percentage of its covered payroll	121.43%	119.09%	81.60%	175.82%	166.81%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Employer's Fiscal Year Measurement Period	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15	2014-15 2013-14
District's proportion of the net pension liability	0.2250%	0.2232%	0.2307%	0.2310%	0.2141%
District's proportionate share of the net pension liability	\$ 206,770,104	\$ 206,398,716	\$ 186,580,167	\$ 155,525,424	\$ 125,085,872
State's proportionate share of the net pension liability associated with the District	118,385,555	122,103,737	106,216,761	82,255,805	75,532,250
Totals	\$ 325,155,659	\$ 328,502,453	\$ 292,796,928	\$ 237,781,229	\$ 200,618,122
District's covered payroll	\$ 120,169,702	\$ 118,533,370	\$ 115,535,909	\$ 103,498,727	\$ 97,025,571
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.07%	174.13%	161.49%	150.27%	128.92%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

DOWNEY UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS For the Fiscal Year Ended June 30, 2024

	Last Ten Fiscal Years				
Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Measurement Period	2022-23	2021-22	2020-21	2019-20	2018-19
District's proportion of the net pension liability	0.2921%	0.2873%	0.2868%	0.2955%	0.2804%
District's proportionate share of the net pension liability	\$ 105,723,413	\$ 98,863,781	\$ 58,327,964	\$ 90,658,213	\$ 81,727,709
District's covered payroll	\$ 50,680,962	\$ 45,015,242	\$ 41,136,710	\$ 42,542,107	\$ 37,350,155
District's proportionate share of the net pension liability as a percentage of its covered payroll	208.61%	219.62%	141.79%	213.10%	218.81%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.2757%	0.2752%	0.2730%	0.2669%	0.2561%
District's proportionate share of the net pension liability	\$ 73,499,618	\$ 65,691,017	\$ 53,909,000	\$ 39,338,034	\$ 29,076,541
District's covered payroll	\$ 36,128,691	\$ 34,982,287	\$ 32,741,411	\$ 29,075,431	\$ 27,004,140
District's proportionate share of the net pension liability as a percentage of its covered payroll	203.44%	187.78%	164.65%	135.30%	107.67%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

DOWNEY UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	\$ 33,066,241	\$ 31,483,665	\$ 24,628,443	\$ 21,176,562	\$ 22,348,836
Contributions in relation to the contractually required contribution	33,066,241	31,483,665	24,628,443	21,176,562	22,348,836
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 173,121,683</u>	<u>\$ 164,835,942</u>	<u>\$ 145,558,174</u>	<u>\$ 131,124,223</u>	<u>\$ 130,694,947</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>

Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 20,339,022	\$ 17,340,488	\$ 14,911,498	\$ 12,397,003	\$ 9,190,687
Contributions in relation to the contractually required contribution	20,339,022	17,340,488	14,911,498	12,397,003	9,190,687
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 124,932,568</u>	<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>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

DOWNEY UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	\$ 14,700,400	\$ 12,857,760	\$ 10,312,992	\$ 8,515,299	\$ 8,389,729
Contributions in relation to the contractually required contribution	14,700,400	12,857,760	10,312,992	8,515,299	8,389,729
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 55,098,951	\$ 50,680,962	\$ 45,015,242	\$ 41,136,710	\$ 42,542,107
Contributions as a percentage of covered payroll	26.680%	25.370%	22.910%	20.700%	19.721%

Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 6,746,185	\$ 5,611,147	\$ 4,858,340	\$ 3,878,875	\$ 3,422,469
Contributions in relation to the contractually required contribution	6,746,185	5,611,147	4,858,340	3,878,875	3,422,469
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 37,350,155	\$ 36,128,691	\$ 34,982,287	\$ 32,741,411	\$ 29,075,431
Contributions as a percentage of covered payroll	18.062%	15.531%	13.888%	11.847%	11.771%

DOWNEY UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2024

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
Total OPEB liability							
Service cost	\$ 6,217,734	\$ 7,686,510	\$ 12,401,563	\$ 8,410,073	\$ 4,910,309	\$ 4,571,791	\$ 4,633,887
Interest	4,150,668	2,678,020	3,331,607	4,462,125	2,874,327	2,719,070	2,311,192
Differences between expected and actual experience	10,185,929	(184,201)	(35,842,807)	(1,050,376)	41,658,463	-	-
Changes of assumptions or other inputs	1,789,793	(13,390,292)	(2,687,661)	12,476,793	2,328,266	(1,720,165)	-
Benefit payments	(3,004,429)	(2,336,317)	(3,064,269)	(1,694,169)	(1,254,823)	(1,398,598)	(1,523,715)
Net change in total OPEB liability	19,339,695	(5,546,280)	(25,861,567)	22,604,446	50,516,542	4,172,098	5,421,364
Total OPEB liability - beginning	115,853,111	121,399,391	147,260,958	124,656,512	74,139,970	69,967,872	64,546,508
Total OPEB liability - ending	\$ 135,192,806	\$ 115,853,111	\$ 121,399,391	\$ 147,260,958	\$ 124,656,512	\$ 74,139,970	\$ 69,967,872
Covered payroll¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

DOWNEY UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years*</i>						
Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.3887%	0.3744%	0.3534%	0.4132%	0.4082%	0.4038%	0.4041%
District's proportionate share of net OPEB liability	\$ 1,179,525	\$ 1,233,271	\$ 1,409,728	\$ 1,750,966	\$ 1,520,087	\$ 1,545,664	\$ 1,699,890
Covered payroll ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-covered payroll ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)	(0.81%)	(0.40%)	0.01%

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.

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

DOWNEY UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

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

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

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

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

DOWNEY UNIFIED SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024*

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program; therefore, the covered payroll disclosure is not applicable.

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

Change of assumptions – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

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Supplementary Information

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DOWNEY UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2024*

	Second Period Report	Annual Report
Regular ADA & Extended Year:		
Grades TK-3	5,786.77	5,809.72
Grades 4-6	4,386.50	4,379.46
Grades 7-8	3,258.49	3,248.04
Grades 9-12	7,448.45	7,388.05
Total Regular ADA	20,880.21	20,825.27
Special Education, Nonpublic, Nonsectarian Schools:		
Grades 4-6	4.92	4.75
Grades 7-8	4.30	3.93
Grades 9-12	17.91	17.74
Total Special Education, Nonpublic, Nonsectarian Schools ADA	27.13	26.42
Community Day School ADA:		
Grades 7-8	1.19	1.19
Grades 9-12	11.01	11.01
Total Community Day School ADA	12.20	12.20
Total ADA	20,919.54	20,863.89

DOWNEY UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2024*

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	51,130	180	Complied
Grade 1	50,400	50,616	180	Complied
Grade 2	50,400	50,616	180	Complied
Grade 3	50,400	50,616	180	Complied
Grade 4	54,000	54,260	180	Complied
Grade 5	54,000	54,260	180	Complied
Grade 6	54,000	59,187	180	Complied
Grade 7	54,000	54,407	180	Complied
Grade 8	54,000	54,407	180	Complied
Grade 9	64,800	65,150	180	Complied
Grade 10	64,800	65,150	180	Complied
Grade 11	64,800	65,150	180	Complied
Grade 12	64,800	65,150	180	Complied

DOWNEY UNIFIED SCHOOL DISTRICT*Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2024*

General Fund	(Budget) 2025 ²	2024	2023	2022
Revenues and other financing sources	\$ 398,545,696	\$ 442,320,239	\$ 447,350,377	\$ 348,287,040
Expenditures and other financing uses	429,301,594	429,658,278	394,411,781	331,448,152
Change in fund balance (deficit)	(30,755,898)	12,661,961	52,938,596	16,838,888
Ending fund balance	<u>\$ 110,613,810</u>	<u>\$ 141,369,708</u>	<u>\$ 128,707,747</u>	<u>\$ 75,769,151</u>
Available reserves ¹	<u>\$ 30,115,145</u>	<u>\$ 35,931,279</u>	<u>\$ 32,618,482</u>	<u>\$ 29,144,601</u>
Available reserves as a percentage of total outgo	<u>7.01%</u>	<u>8.36%</u>	<u>8.27%</u>	<u>8.79%</u>
Total long-term debt	<u>\$ 835,523,908</u>	<u>\$ 851,252,923</u>	<u>\$ 806,926,797</u>	<u>\$ 574,795,404</u>
Average daily attendance at P-2	<u>20,788</u>	<u>20,920</u>	<u>20,600</u>	<u>19,767</u>

The General Fund balance has increased by \$65.6 million over the past two years. The fiscal year 2024-25 adopted budget projects a decrease of \$30.8 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has experienced an operating surplus in each of the past three years, but anticipates incurring an operating deficit during the 2024-25 fiscal year. Long-term debt has increased by \$276.5 million over the past two years.

ADA has increased by 1,153 compared to 2021-22. Budgeted ADA projects a decrease of 132 for 2024-25.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Revised budget September, 2024.

DOWNEY UNIFIED SCHOOL DISTRICT*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2024*

	<u>Student Activity Fund</u>
June 30, 2024, annual financial and budget report (SACS) fund balance	\$ 1,905,421
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash in banks understated	<u>274,108</u>
June 30, 2024, audited financial statement fund balance	<u>\$ 2,179,529</u>

DOWNEY UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-Total Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 2,597,501	
National School Lunch Program	10.555	13523	8,137,762	
Supply Chain Assistance	10.555	15655	1,286,877	
USDA Donated Foods	10.555	N/A	904,681	
Total Child Nutrition Cluster				\$ 12,926,821
Passed through California Dept. of Social Services (CDSS):				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	840,636	
Cash in Lieu of Commodities	10.558	N/A	46,806	
Total Child and Adult Care Food Program				887,442
Total U.S. Department of Agriculture				13,814,263
U.S. Department of Education:				
Student Financial Assistance:				
Federal Pell Grant Program	84.063	N/A		2,330,035
Total Student Financial Assistance				
Passed through California Dept. of Education (CDE):				
Adult Education - State Grants:				
Adult Basic Education and ESL	84.002A	14508	129,376	
Adult Secondary Education	84.002	13978	96,432	
Total Adult Education - State Grants				225,808
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants, Low-Income and Neglected	84.010	14329		4,815,911
Title II, Part A, Supporting Effective Instruction	84.367	14341		659,168
Title III, Limited English Proficiency	84.365	14346		345,404
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		649,096
Early Intervention Grants:				
COVID-19: ARP IDEA Part C, Early Education Program	84.181X	25657	50,000	
IDEA Early Intervention Grants, Part C	84.181	23761	159,413	
Total Early Intervention Grants				209,413
Vocational and Technical Education Grants:				
Carl D. Perkins Career and Technical Education: Adult, Sec. 131	84.048	14894	195,066	
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893	270,092	
Total Vocational and Technical Education Grants				465,158
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	18,584,168	
Elementary and Secondary School Emergency Relief III (ESSER III)				
Fund: Learning Loss	84.425U	10155	5,507,542	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve,				
Emergency Needs	84.425U	15620	1,525,177	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve,				
Learning Loss	84.425U	15621	2,629,142	
American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425U	15566	58,751	
Total Education Stabilization Fund				28,304,780
Individuals with Disabilities Education Act (IDEA):				
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	164,543	
COVID-19: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	19,426	
Basic Local Assistance Entitlement	84.027	13379	5,335,460	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	46,568	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	182,564	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	263,588	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,161	
Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	28,845	
Total Special Education (IDEA) Cluster				6,042,155
Total U.S. Department of Education				44,046,928
Total Expenditures of Federal Awards				\$ 57,861,191

Of the federal expenditures presented in the schedule, the District provided the following awards to sub-recipients:

Individuals with Disabilities Education Act (IDEA):				
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	\$ 164,543	
COVID-19: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	19,426	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	7,683	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	85,026	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	82	
COVID-19: ARP IDEA Part C, Early Education Program	84.181X	25657	24,047	
IDEA Early Intervention Grants, Part C	84.181	23761	24,047	
Total federal awards provided to sub-recipients			\$ 324,854	

DOWNEY UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2024

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

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

Other Information

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DOWNEY UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure *June 30, 2024*

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

DISTRICT ADMINISTRATORS

John A. Garcia, Jr., Ph.D.,
Superintendent

Roger Brossmer, Ed.D.,
Deputy Superintendent, Secondary Educational Services

Wayne Shannon, Ed.D.,
Assistant Superintendent, Elementary Educational Services

Robert McEntire, Ed.D.,
Associate Superintendent, Business Services

Alyda R. Mir, Ph.D.,
Assistant Superintendent, Certificated Human Resources

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Other Independent Auditors' Reports

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Downey Unified School District
Downey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey Unified School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

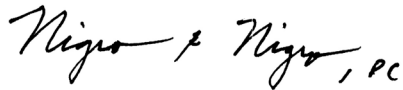
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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Murrieta, California
November 12, 2024



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

Board of Education
Downey Unified School District
Downey, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Downey Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Downey Unified School District's major federal programs for the year ended June 30, 2024. The Downey Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Downey Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Downey Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Downey Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

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

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

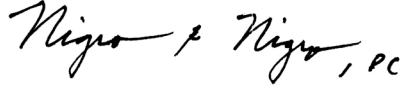
Report on Internal Control Over Compliance

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

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

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

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

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Murrieta, California
November 12, 2024

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Downey Unified School District
Downey, California

Report on Compliance

Opinion

We have audited the Downey Unified School District's (District) compliance with the requirements specified in the *2023-24 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, 2024.

In our opinion, Downey Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

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 *2023-24 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 Downey Unified School District's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 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 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 *2023-24 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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

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

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2024-001 and 2024-002. Our opinion on each state program is not modified with respect to these matters.

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

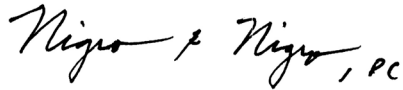
Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-24 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 "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
November 12, 2024

Schedule of Findings and Questioned Costs

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DOWNEY UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2024

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 (a)?	<u>No</u>
Identification of major programs:	

Assistance Listing

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.027, 84.027A,</u>	
<u>84.173, 84.173A</u>	<u>Special Education Cluster (IDEA)</u>
<u>84.425U</u>	<u>COVID-19 Education Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,735,836</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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DOWNEY UNIFIED SCHOOL DISTRICT

Financial Statement Findings

For the Fiscal Year Ended June 30, 2024

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

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

There were no financial statement findings in 2023-24.

DOWNEY UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

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

There were no federal award findings or questioned costs in 2023-24.

DOWNEY UNIFIED SCHOOL DISTRICT

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2024

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

Finding 2024-001: Instructional Materials (70000)

Repeat Finding? No

Criteria: California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District.

Condition: The notice posted by the District did not provide for 10-day notice of the public hearing regarding the sufficiency of textbooks and instructional materials. The notice was posted on September 29, 2023 and the public hearing was held on October 3, 2023.

Cause: Due to staff turnover, the District missed the requirements for the public notice.

Effect: There is no financial penalty associated with noncompliance.

Recommendation: We recommend that the District ensure that the notice which is posted during the 2024-25 school year adhere to the requirements for the posting of the public notice at least 10 days prior to the public hearing.

Views of Responsible Officials: The district concurs with the finding and has implemented additional internal controls to ensure that the 10-day notice requirement is met. Effective with the 2024-25 school year, the district enacted a new procedure where the Public Information Officer reviews and ensures the appropriate timing is met for the posting of the notices. Accordingly, the required notice for the 2024-25 school year hearing was posted on September 23, 2024, for the October 8th Board of Education meeting.

Finding 2024-002: Transitional Kindergarten (40000)

Repeat Finding? No

Criteria: Pursuant to Education Code Section 48000(g)(1), as a condition of receipt of apportionment for pupils in a transitional kindergarten program pursuant to Section 46300, a school district or charter school may enroll an early enrollment child in a transitional kindergarten program if all of following conditions are met: (1) Any classroom that includes an early enrollment child shall maintain an adult-to-pupil ratio of at least one adult to every 10 pupils.

Condition: Several school sites had early enrollment children in TK classes but exceeded the 10:1 adult-to-pupil ratio.

Context: The exceptions were noted in 27 TK classes and 10 school sites

Cause: At the beginning of the 2023-24 school year, the District did not have procedures to identify the number of adults needed to meet the adult-to-pupil ratios.

DOWNEY UNIFIED SCHOOL DISTRICT

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2024

Finding 2024-002: Transitional Kindergarten (40000) (continued)

Effect: The penalty calculation for exceeding the 10:1 adult-to-pupil ratio is \$916,897. This is calculated by using the CDE penalty calculator, using a state-wide absence rate of 7.5% and a TK add-on per ADA funding rate of \$3,044.

Adult to Pupil Ratio Class Size Requirement Penalty Calculation

1. Classroom Ratio Requirement	
A. Number of Students in excess of 20	81
B. Additional Students needed to Staff excess number of Students 10:1	8.5
C. Required Students Enrollment Per Class	20
D. 23-24 Statewide Absence Rate	7.50%
E. Absence Rate Equivalent	1
F. Required Enrollment (20) minus prior year Statewide K-8 absence rate	19
G. LCFF TK Add On rate per ADA	\$ 3,044
Penalty for Classroom Ratio Requirement (BxFxG)	<u>\$ 478,669</u>
2. Class Size Requirement	
TK ADA for Classrooms with early Enrollment	424.64
LCFF TK Grade Span Adjustment (GSA) Add on Rate per ADA	\$ 1,032
Penalty for GSA	<u>\$ 438,228</u>
Total TK Early Enrollment Penalty for 23-24	<u><u>\$ 916,897</u></u>

Recommendation: We recommend that the District continue to monitor the average class enrollment and the adult-to-pupil ratios and adjust classes as needed to meet the requirement.

Views of Responsible Officials: The district has complied with the class size and enrollment requirements effective the 2024-25 school year.

While the district has historically complied with all enrollment and class size requirements, the timing of the new State regulations for Transitional Kindergarten for 2023-24 school year made it difficult for the district to comply without having a negative impact on students. By the time the new regulations were enacted by the State during the summer of 2023, after the district had already enrolled students, established classroom sizes according to class size requirements that were in place at that time, and school had begun.

The district recommends and is hopeful that CDE will consider the possibility of implementing a waiver of penalties for the 2023-24 school year.

DOWNEY UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2024

Original Finding No.	Finding	Code	Recommendation	Current Status
2023-001 NSLDS Reporting 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. <i>Significant Deficiency in Internal Control over Compliance</i> – 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.	50000	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.	Implemented.

