FULLERTON SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2022

NIGRO & NIGRO PC

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FULLERTON SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2022
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A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fullerton School District
Fullerton, 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 Fullerton School District, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fullerton School District, as of June 30, 2022, 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 *2021-22 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 5, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC.

Murrieta, California
December 5, 2022

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Fullerton School District is a large suburban school district offering instruction to students from transitional kindergarten through eighth grade, including programs for preschool and special education. During the 2021-22 school year, the District operated fifteen elementary schools, two K-8 schools, and three junior high schools, on the traditional August through May schedule, for the instruction of approximately 11,600 students.

MISSION STATEMENT

The mission of the Fullerton School District is to work collaboratively with the community to provide an innovative, high-quality educational program for all students in a safe learning environment. Our motto, *"Great Schools - Successful Kids"* exemplifies the belief that all students will achieve academic excellence, acquire interpersonal skills, and develop technological expertise to contribute as productive citizens in a democratic society.

Focusing on Excellence

High Expectations for ALL students
- Narrow the achievement gap
- Prepare students for success in high school, college, and career
- Utilize personalized, student-centered approach and student strengths
- Promote patriotism, democracy, and United States civics in existing frameworks, curriculum, and State standards
- Provide opportunities for students to be productive citizens of the community

Long-term District Financial Stability
- Exercise responsible fiscal stewardship
- Allocate funding to support prioritized programs, enhanced facilities, and attract and retain highly qualified staff

Recruit, Hire, Support, and Retain Exceptional Staff
- Recruit and retain exceptional and diverse staff who are culturally responsive, student-centered, and focused on high-expectations
- Support and evaluate all staff regularly to improve performance
- Provide professional growth and development opportunities

Welcome and Engage Families and Community
- Engage families to participate and provide opportunities for input
- Involve families and community in programs, committees, school cultures, and celebrations
- Provide meaningful and culturally responsive engagement opportunities
- Respect, empower, and appreciate our diverse families and communities

Promote Safety, Mental/Physical Health, and Well-being
- Promote child-centered education and build connections with students emphasizing the whole-child
- Provide programs that focus on restorative practices, nutrition, mental and social-emotional health, personal responsibility, and a positive school climate

MISSION STATEMENT (continued)

Promote Safety, Mental/Physical Health, and Well-being (continued)

- Create an environment that incorporates the importance of safety, mental/physical health, and well-being for all students, employees, and members of the community
- Strengthen and work with our community partners

FINANCIAL HIGHLIGHTS

District-Wide Financial Statements

- As of June 30, 2022, the District's overall financial condition increased from June 30, 2021, as Net Position increased by $24.5 million. This was mainly the result of a decrease in noncurrent liabilities.
- Overall revenues increased $8.6 million, to $195.5 million. The largest category of revenue to the District is the Local Control Funding Formula (LCFF), which makes up $121.7 million (62%) of total revenues.
- Overall expenditures decreased $26.5 million, to $171.1 million. The majority of expenditures ($118.1 million) were for instruction and instruction-related services.
- Revenues increased while expenditures decreased. This resulted in a change in net position of $24.5 million. This amount represents an increase in the District's reserves.
- Total District-wide expenses were $171.1 million. Because a portion of these costs was paid for with charges, fees, and federal and state categorical programs, the net cost that required taxpayer funding was $109.4 million.

General Fund Financial Statements

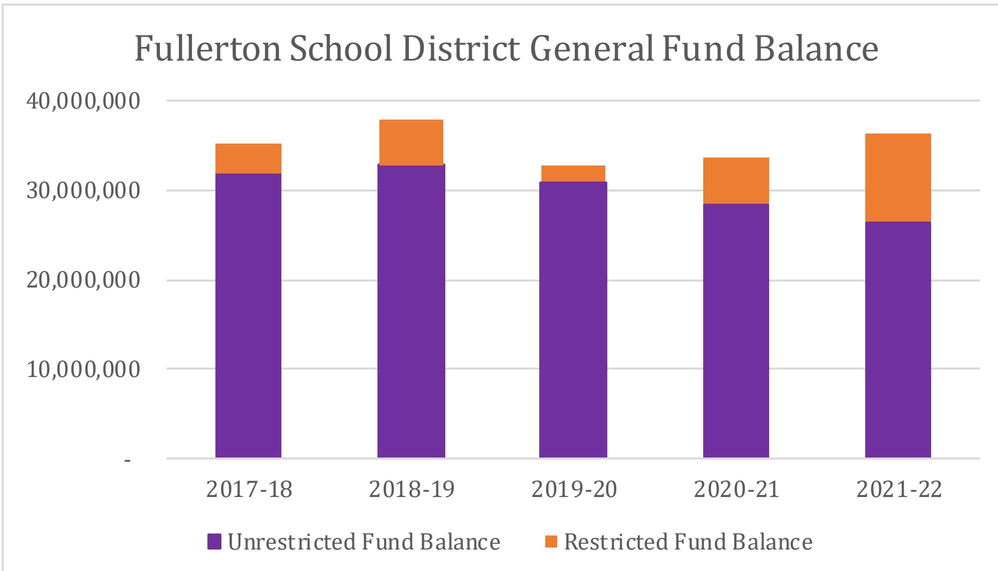
- The District's General Fund recorded a net increase to the ending Fund Balance for the year. Actual results were higher than the revised operating budget for the year. This positive variance came about primarily because of carryover of restricted funds.
- Revenues of over $184.6 million ($126.0 million Unrestricted, $58.6 million Restricted) were received.
- Expenditures of $181.9 million ($108.9 million Unrestricted, $73.0 million Restricted) were made.
- The net result of operations was an increase to the ending fund balance of $2.7 million. ($2.0 million decrease in Unrestricted, $4.7 million increase in Restricted)

A five-year history of the District's General Fund is as follows:

	Ending General Fund Balances			
	Unrestricted	**Restricted**	**Total**	**Net Change in Fund Balance**
2017-18	$ 31,918,473	$ 3,300,180	$ 35,218,653	$ (3,420,727)
2018-19	32,867,741	5,127,310	37,995,051	2,776,398
2019-20	30,883,473	1,899,654	32,783,127	(5,211,924)
2020-21	28,454,571	5,241,125	33,695,696	912,569
2021-22	26,493,493	9,917,563	36,411,056	2,715,360

FINANCIAL HIGHLIGHTS (continued)

General Fund Financial Statements (continued)



At June 30, 2022, the District's General Fund Balance was comprised of:

Reserved Amounts	$	5,456,755
Legally Restricted		9,917,563
Assigned		4,132,804
Committed		7,500,000
Unassigned		9,403,934
Total	$	36,411,056

The amount Designated for Economic Uncertainties was $5,456,755, or 3% of total General Fund expenditures. The State mandated requirement is a 3% reserve.

The actual amounts reported above are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

FINANCIAL HIGHLIGHTS (continued)

Local Control Funding Formula (LCFF) and Average Daily Attendance (ADA)
The majority of the District's unrestricted revenues are received from the State through the LCFF. The State switched to the LCFF funding formula in the 2013-14 fiscal year.

The State's 2013-14 budget presented an extraordinary change in California school district funding. The Revenue limits and most categorical programs which have existed since the 1970's *Serrano vs. Priest* decision were eliminated. Instead, the State implemented the LCFF. Under LCFF, instead of the State allocating funds and requiring the Districts to spend money on programs and service the State determines are a priority, the new funding formula gives local boards control over how to use funds and resources in a way that improves outcomes and opportunities for all students. The new funding model specifically addresses students with greater needs – such as English learners, low-income and foster youth – with input from the community and with specific student outcome in mind.

While the main drivers of the Revenue Limit were ADA and State-funded Cost of Living Adjustment (COLA), LCFF adds two additional factors:

- Unduplicated Percentages - defined as those students enrolled in the Free and Reduced Lunch program, English Language Learners, and Foster Youth. Due to the widely differing unduplicated count percentages in different school districts, the amounts received in LCFF funding will vary widely by District will become even more disparate as time goes on.

- Percentage of Gap Funding during Transition: Full implementation of the LCFF was beyond the State's prior year financial means. Therefore, the State initially intended to fully implement LCFF over an eight-year period. Each year, as part of the budget process, the Legislature and Governor (with consideration of the COLA and Proposition 98 requirements) will determine the amount of the gap funding to implement in the current budget year. Since 2018-19, LCFF has been fully funded.

The District calculates its LCFF apportionment based upon a formula incorporating these inputs. The District receives its share of local property taxes, and the State provides Apportionment Revenue to make up the total LCFF earned.

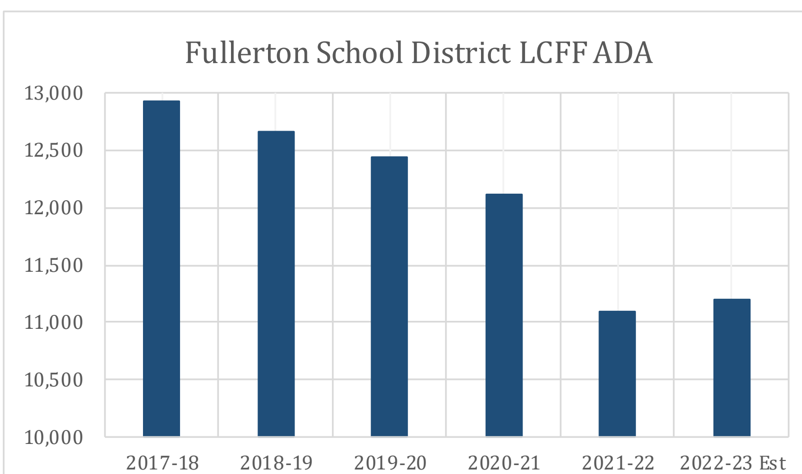
FINANCIAL HIGHLIGHTS (continued)

Average Daily Attendance (ADA)
Virtually all of the District's funding is based upon the number of students in attendance at District schools, or ADA. ADA is calculated based upon the actual number of days a student attends school, divided by the total possible instructional days (180 days for a full school year). Thus, a student who attends class every day of the school year, with no absences, earns one ADA.

The District's main source of funding, the LCFF is calculated based upon the District's Second Period ("P-2") ADA. If a district is in a declining enrollment situation (like Fullerton School District), LCFF is calculated based upon the higher, prior-year ADA. Therefore, even though ADA decreased by approximately 736 students in fiscal year 2020-21, the District still earned LCFF based upon the higher 2019-20 ADA. The lower ADA for 2020-21 is reflected in the 2021-22 LCFF. This one-year lag is projected to continue for the foreseeable future as the District remains in declining enrollment.

P-2 apportionment-earning ADA used in the calculation of the LCFF for the past five years, and the estimated LCFF ADA for the current year, is as follows:

2017-18	12,924
2018-19	12,665
2019-20	12,440
2020-21	12,113
2021-22	11,099
2022-23 Est	11,205



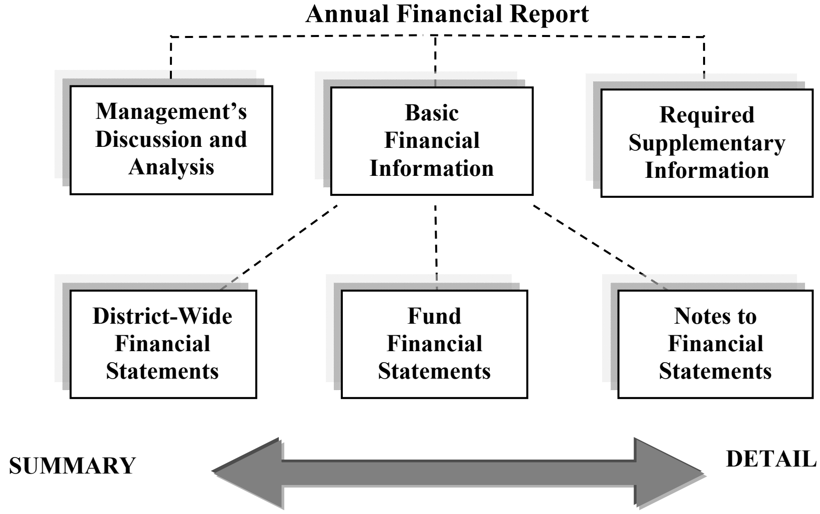
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

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

Figure A-1. Organization of Fullerton School District's Annual Financial Report



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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 it is properly using certain revenues.

The District has three 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.

Fund Financial Statements (continued)

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 claims, dental benefits, and property and liability claims.

3) *Fiduciary funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2022, than it was the year before – increasing 27.4% to ($64.8) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2022	**2021**	
Assets			
Current assets	$ 71,096,004	$ 63,949,445	$ 7,146,559
Capital assets	76,287,242	78,115,620	(1,828,378)
Total assets	147,383,246	142,065,065	5,318,181
Total deferred outflows of resources	47,731,068	46,715,263	1,015,805
Liabilities			
Current liabilities	12,118,165	14,263,565	(2,145,400)
Long-term liabilities	168,251,580	247,507,801	(79,256,221)
Total liabilities	180,369,745	261,771,366	(81,401,621)
Total deferred inflows of resources	79,516,403	16,253,823	63,262,580
Net position			
Net investment in capital assets	54,931,153	53,432,148	1,499,005
Restricted	29,713,951	18,538,692	11,175,259
Unrestricted	(149,416,938)	(161,215,701)	11,798,763
Total net position	$ (64,771,834)	$ (89,244,861)	$ 24,473,027

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 4.6% to $195.5 million (See Table A-2). The increase is due primarily to an increase in LCFF revenue.

The total cost of all programs and services decreased 13.4% to $171.1 million. The District's expenses are predominantly related to educating and caring for students, 79.5%. The purely administrative activities of the District accounted for just 6.1% of total costs. A significant contributor to the decrease in costs was expense reductions associated with changes in the actuarially determined net pension liability and OPEB liability.

Table A-2: Statement of Activities

	Governmental Activities 2022	Governmental Activities 2021	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 670,571	$ 371,008	$ 299,563
Operating grants and contributions	61,050,660	62,353,239	(1,302,579)
General Revenues:			
Property taxes	66,018,700	64,219,078	1,799,622
Federal and state aid not restricted	64,261,528	58,361,250	5,900,278
Other general revenues	3,543,307	1,667,353	1,875,954
Total Revenues	195,544,766	186,971,928	8,572,838
Expenses			
Instruction-related	118,059,011	140,051,303	(21,992,292)
Pupil services	18,001,589	16,352,059	1,649,530
Administration	10,472,632	15,978,237	(5,505,605)
Plant services	15,864,705	16,189,501	(324,796)
All other activities	8,673,802	8,990,902	(317,100)
Total Expenses	171,071,739	197,562,002	(26,490,263)
Increase (decrease) in net position	$ 24,473,027	$ (10,590,074)	$ 35,063,101
Total net postion	$ (64,771,834)	$ (89,244,861)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Governmental Funds financial statements report the financial activities of the District net of the effect of long-term items such as capital assets, long-term debt, and other multi-year commitments. Rather, the Governmental Funds statements generally present only financial transactions related to current assets and liabilities. These statements focus on cash received and spent in one year, and what assets are available at year end that can be spent on expenses and liabilities that will be paid within one fiscal year.

At June 30, 2022, the District reported a combined fund balance of $53.9 million for all of its governmental funds, which represents an increase of $9.1 million from last year's ending fund balance of $44.8 million. The majority of the increase occurred in the Cafeteria Fund, which increased by $4.8 million, from $2.5 million to $7.3 million; and the combined General Fund, which increased by $2.7 million, from $33.7 million to $36.4 million.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table A-3: The District's Fund Balances

	Fund Balances			
	July 1, 2021	Revenues	Expenditures	June 30, 2022
Fund				
General Fund	$ 33,695,696	$ 184,609,137	$ 181,893,777	$ 36,411,056
Student Activity Fund	136,921	283,577	276,789	143,709
Child Development Fund	-	4,437,228	4,369,980	67,248
Cafeteria Fund	2,520,173	12,975,637	8,182,695	7,313,115
Deferred Maintenance Fund	41	11	-	52
Building Fund	787	5	-	792
Capital Facilities Fund	580,580	563,060	81,549	1,062,091
Special Reserve Fund (Capital Outlay)	3,593,515	1,222,707	444,805	4,371,417
Bond Interest and Redemption Fund	4,304,136	4,744,328	4,486,307	4,562,157
Total Governmental Fund Balances	$ 44,831,849	$ 208,835,690	$ 199,735,902	$ 53,931,637
Proprietary Fund:				
Self-Insurance Fund	$ 2,162,240	$ 2,381,783	$ 2,267,372	$ 2,276,651

General Fund Budgetary Highlights

The District's primary operating fund, and the fund where the majority of its financial transactions take place, is the General Fund.

The overall financial health of the District is generally determined by the state of its General Fund. This fund reflects the effects on the District's finances caused by increased funding or cuts imposed by the State on public education funding. It is also the fund where the District Board and administration have the most flexibility to adjust expenditures to match changes in State and Federal funding.

The 2021-22 adopted budget was officially approved by the Board of Trustees on June 8, 2021. 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 $43.1 million primarily to reflect increases in federal, state, and local revenue estimates. Other Federal and State revenue adjustments reflect differences between estimated and actual carryovers for June 30, 2022 (more revenue was carried over than expected so budgets increased for 2021-22). Increases in other local revenues reflect donations received during the year. The District does not budget revenues and expenditures related to donations until the actual donation is received.

- Expenditures – budget increased $47.8 million, primarily to reflect employee compensation increases negotiated in the winter of 2020, as well as the adjustment to the budget to reflect the expenditure of carryover amounts.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $4.9 million, the actual results for the year show that revenues exceeded expenditures by roughly $2.7 million. Actual revenues were $10.3 million less than anticipated, and expenditures were $17.9 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2022, that will be carried over into the 2022-23 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021-22, the District had invested $3.9 million in new capital assets, related to site improvements. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $5.7 million.

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

	Governmental Activities		Variance
			Increase
	2022	2021	(Decrease)
Land	$ 9,198,655	$ 9,198,655	$ -
Improvement of sites	8,742,703	8,063,648	679,055
Buildings	53,787,359	57,786,091	(3,998,732)
Equipment	1,701,728	1,611,348	90,380
Construction in progress	2,856,797	1,455,878	1,400,919
Total	$ 76,287,242	$ 78,115,620	$ (1,828,378)

Long-Term Debt

At year-end the District had $168.3 million in long term debt – a decrease of 32.0% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		Variance
			Increase
	2022	2021	(Decrease)
General obligation bonds	$ 21,628,443	$ 25,258,521	$ (3,630,078)
Certificates of participation	3,265,000	3,670,000	(405,000)
RDA loans	94,381	125,841	(31,460)
Early retirement incentives	1,653,492	2,333,028	(679,536)
Financed purchases	1,064,974	1,626,406	(561,432)
Compensated absences	2,535,439	2,405,737	129,702
Claims	2,971,526	2,908,242	63,284
Other postemployment benefits	41,537,916	43,480,283	(1,942,367)
Net pension liability	93,500,409	165,699,743	(72,199,334)
Total	$ 168,251,580	$ 247,507,801	$ (79,256,221)

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget
The Legislature passed a final budget package on June 29, 2022. The budget package assumes that 2022-23 will end with nearly $28 billion in total reserves. This consists of: (1) $23.3 billion in the Budget Stabilization Account; (2) $3.5 billion in the Special Fund for Economic Uncertainties (SFEU); and (3) $900 million in the Safety Net Reserve, which is available for spending on the State's safety net programs, like Medi-Cal. In addition to the general-purpose reserves described above, the Proposition 98 Reserve (dedicated to school and community college spending) would reach $9.5 billion under the spending plan.

Federal Funds Expected to Decline Significantly Between 2021-22 and 2022-23
In the budget federal funds decline $175 billion, or 55 percent, between 2021-22 and 2022-23. This decline is the result of several significant federal programs enacted in response to COVID-19 expiring in 2022-23. For example, the enhanced Federal Medical Assistance Percentage for the State's Medicaid program (which the administration assumes will expire in December 2022) and $27 billion in fiscal relief funding from the American Rescue Plan. However, there are also some increases in federal funds in 2022-23 related to the Infrastructure Investment and Jobs Act.

Significant Increase in School and Community College Funding
The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in State General Fund revenue. For 2021-22, the guarantee is up $16.5 billion (17.6 percent) compared with the estimates made in June 2021. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. For 2022-23, the guarantee increases by an additional $117 million (0.1 percent) relative to the revised 2021-22 level.

Makes Required Reserve Deposit and Funds New Programs
When the minimum funding requirement is growing quickly, the Constitution requires the State to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the State deposits a total of $9.5 billion into this account across the 2020-21 through 2022-23 period—an increase of $4.5 billion compared with the estimates made in June 2021. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, the largest ongoing augmentation is $7.9 billion to provide a 13 percent increase to the Local Control Funding Formula and provide greater fiscal stability to school districts experiencing declining attendance. The budget plan also includes $12.1 billion in one-time funding for two K-12 block grants—$7.9 billion focused on learning recovery and $3.6 billion intended for arts, music, and instructional materials. In addition, the budget plan includes $841 million one time for facilities maintenance and instructional equipment and $650 million one time for a COVID-19 block grant.

Adjusts Guarantee Upwards for Expansion of Transitional Kindergarten
The June 2021 budget plan established a plan to expand eligibility for transitional kindergarten beginning in 2022-23. Under the plan, all four-year old children will be eligible by 2025-26. (Previously, only children born between September 2 and December 2 were eligible.) The Legislature and Governor also agreed the State would cover the associated costs by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools. Consistent with this agreement, the budget plan includes an increase in the 2022-23 guarantee of $614 million related to the first-year costs of the expansion.

School Facilities Grants
The budget allocates $1.4 billion (non-Proposition 98 General Fund) attributable to 2021-22 for school facilities grants. Of this total, $1.3 billion is to cover the State share for new construction and modernization projects under the School Facilities Program. These funds supplement existing funds from Proposition 51, the State school bond approved by voters in 2016. (Funding from Proposition 51 will likely be exhausted in 2022-23.) The remaining $100 million is for schools to construct or renovate State Preschool, transitional kindergarten, and full-day kindergarten classrooms.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Reserve Cap Triggered

As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves has been triggered for the 2022-23 budget period, pursuant to Education Code (EC) Section 42127.01(e). Beginning with the 2022-23 fiscal year, the district reserve cap requires that a school district's adopted or revised budget pursuant to EC Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10 percent of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay shall also be included within the 10 percent reserve cap. The reserve cap requirement does not apply to small school districts or basic aid school districts pursuant to EC Section 42127.01(c).

All of these factors were considered in preparing the Fullerton School District budget for the 2022-23 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robert R. Coghlan, Ph.D., Assistant Superintendent, Business Services at (714) 447-7412.

FULLERTON SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 47,166,480
Accounts receivable	22,692,616
Inventories	886,002
Prepaid expenses	350,906
Capital assets:	
Non-depreciable assets	12,055,452
Depreciable assets	188,284,242
Less accumulated depreciation	(124,052,452)
Total assets	147,383,246
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	364,562
Deferred outflows from OPEB	5,381,419
Deferred outflows from pensions	41,985,087
Total deferred outflows of resources	47,731,068
LIABILITIES	
Accounts payable	9,195,408
Accrued interest payable	201,975
Unearned revenue	2,720,782
Noncurrent liabilities:	
Due or payable within one year	5,930,496
Due in more than one year:	
Other than OPEB and pensions	27,282,759
Total OPEB liability	41,537,916
Net pension liability	93,500,409
Total liabilities	180,369,745
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	9,114,681
Deferred inflows from pensions	70,401,722
Total deferred inflows of resources	79,516,403
NET POSITION	
Net investment in capital assets	54,931,153
Restricted for:	
Capital projects	5,433,508
Debt service	4,562,157
Educational programs	17,297,926
Student activities	143,709
Self-insurance programs	2,276,651
Unrestricted	(149,416,938)
Total net position	$ (64,771,834)

FULLERTON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues		Net (Expense)
			Operating	Revenue and
		Charges for	Grants and	Changes in
Functions/Programs	Expenses	Services	Contributions	Net Position
Governmental Activities				
Instructional Services:				
Instruction	$ 95,970,166	$ 118,430	$ 30,948,003	$ (64,903,733)
Instruction-Related Services:				
Supervision of instruction	5,262,196	5,073	2,849,241	(2,407,882)
Instructional library, media and technology	5,668,369	3,007	260,544	(5,404,818)
School site administration	11,158,280	9,449	2,283,542	(8,865,289)
Pupil Support Services:				
Home-to-school transportation	2,825,588	-	221,741	(2,603,847)
Food services	8,139,348	34,069	13,020,748	4,915,469
All other pupil services	7,036,653	24,552	2,490,689	(4,521,412)
General Administration Services:				
Other general administration	10,472,632	1,978	3,422,822	(7,047,832)
Plant services	15,864,705	39,598	2,969,486	(12,855,621)
Ancillary services	291,680	73,386	209,249	(9,045)
Interest on long-term debt	1,048,747	-	-	(1,048,747)
Transfers between agencies	1,599,418	361,029	2,374,595	1,136,206
Depreciation (unallocated)	5,733,957	-	-	(5,733,957)
Total Governmental Activities	$ 171,071,739	$ 670,571	$ 61,050,660	$ (109,350,508)

General Revenues:	
Property taxes	66,018,700
Federal and state aid not restricted to specific purpose	64,261,528
Interest and investment earnings	150,803
Miscellaneous	3,392,504
Total general revenues	133,823,535
Change in net position	24,473,027
Net position - July 1, 2021	(89,244,861)
Net position - June 30, 2022	$ (64,771,834)

FULLERTON SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 26,240,708	$ 5,075,056	$ 10,703,477	$ 42,019,241
Accounts receivable	19,562,117	2,724,941	402,870	22,689,928
Due from other funds	204,040	-	41,282	245,322
Inventories	71,864	814,138	-	886,002
Prepaid expenditures	350,906	-	-	350,906
Total Assets	$ 46,429,635	$ 8,614,135	$ 11,147,629	$ 66,191,399
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 7,824,198	$ 1,004,201	$ 277,796	$ 9,106,195
Due to other funds	157,415	-	275,370	432,785
Unearned revenue	2,036,914	296,819	387,049	2,720,782
Total Liabilities	10,018,527	1,301,020	940,215	12,259,762
Fund Balances				
Nonspendable	522,770	814,367	-	1,337,137
Restricted	9,917,563	6,498,748	10,207,414	26,623,725
Committed	7,500,000	-	-	7,500,000
Assigned	4,132,856	-	-	4,132,856
Unassigned	14,337,919	-	-	14,337,919
Total Fund Balances	36,411,108	7,313,115	10,207,414	53,931,637
Total Liabilities and Fund Balances	$ 46,429,635	$ 8,614,135	$ 11,147,629	$ 66,191,399

FULLERTON SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total fund balances - governmental funds		$	53,931,637
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets at historical cost:	200,339,694		
Accumulated depreciation:	(124,052,452)		
Net:			76,287,242
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			364,562
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:			(201,975)
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 government-wide statements, consist of:			
General obligation bonds payable	21,628,443		
Certificates of participation payable	3,265,000		
Fullerton RDA loan payable	94,381		
Early retirement incentive	1,653,492		
Financed purchases	1,064,974		
Compensated absences	2,535,439		
Net pension liability	93,500,409		
Other postemployment benefits payable	41,537,916		
Total			(165,280,054)
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 of resources relating to OPEB	5,381,419		
Deferred inflows of resources relating to OPEB	(9,114,681)		
Net:			(3,733,262)
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 outflows of resources relating to pensions	41,985,087		
Deferred inflows of resources relating to pensions	(70,401,722)		
Net:			(28,416,635)
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 the internal service fund is:			2,276,651
Total net position - governmental activities		$	(64,771,834)

FULLERTON SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 121,671,015	$ -	$ -	$ 121,671,015
Federal sources	23,212,733	12,361,903	123,600	35,698,236
Other state sources	25,976,474	510,284	2,492,298	28,979,056
Other local sources	13,748,926	103,450	8,635,007	22,487,383
Total Revenues	184,609,148	12,975,637	11,250,905	208,835,690
EXPENDITURES				
Current:				
Instruction	112,477,345	-	3,418,403	115,895,748
Instruction-related services:				
Supervision of instruction	6,525,779	-	88,901	6,614,680
Instructional library, media and technology	6,034,081	-	-	6,034,081
School site administration	12,409,350	-	591,917	13,001,267
Pupil support services:				
Home-to-school transportation	3,198,085	-	-	3,198,085
Food services	625,204	7,838,363	-	8,463,567
All other pupil services	8,373,398	-	56,078	8,429,476
Ancillary Services	22,710	-	276,789	299,499
General administration services:				
Other general administration	10,911,109	-	-	10,911,109
Plant services	14,511,091	190,296	(87,251)	14,614,136
Transfers of indirect costs	(404,977)	73,178	331,799	-
Capital outlay	4,520,348	80,858	465,027	5,066,233
Intergovernmental	1,599,418	-	-	1,599,418
Debt service:				
Principal	966,432	-	1,931,158	2,897,590
Interest	124,404	-	2,586,609	2,711,013
Total Expenditures	181,893,777	8,182,695	9,659,430	199,735,902
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,715,371	4,792,942	1,591,475	9,099,788
Net Change in Fund Balances	2,715,371	4,792,942	1,591,475	9,099,788
Fund Balances, July 1, 2021	33,695,737	2,520,173	8,615,939	44,831,849
Fund Balances, June 30, 2022	$ 36,411,108	$ 7,313,115	$ 10,207,414	$ 53,931,637

FULLERTON 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, 2022

Total net change in fund balances - governmental funds			$ 9,099,788
Amounts reported for governmental activities in the statement of activities are different because:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	3,906,462	
	Depreciation expense	(5,733,957)	
	Net expense adjustment:		(1,827,495)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			2,897,590
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on refunding and are amortized to interest expense over the life of the liability. Deferred amounts incurred, less amortization of this amount during the year was:			(82,591)
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 as interest over the life of the debt. Amortization of premium or discount for the period is:			65,226
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:			1,665,154
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:			(883)
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:			14,476
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			14,352,857
In governmental 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:			(2,375,340)
In the statement of activities, certain operating expenses - compensated absences and early retirement incentives for example are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts paid exceeded amounts earned by:			549,834
The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.			114,411
Change in net position - governmental activities			$ 24,473,027

FULLERTON SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2022

	Governmental Activities Internal Service Fund
ASSETS	
Current:	
Deposits and investments	$ 5,147,239
Accounts receivable	2,688
Due from other funds	195,697
Total assets	5,345,624
LIABILITIES	
Accounts payable and accrued liabilities	89,213
Due to other funds	8,234
Estimated liability for open claims and IBNR	2,971,526
Total liabilities	3,068,973
NET POSITION	
Restricted	$ 2,276,651

FULLERTON SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 2,271,431
Other local revenue	88,622
Total operating revenues	2,360,053
OPERATING EXPENSES	
Current:	
Classified salaries	197,678
Employee benefits	106,392
Books and supplies	103,212
Services and other operating expenditures	1,860,090
Total operating expenses	2,267,372
Operating Income (Loss)	92,681
NON-OPERATING REVENUES	
Interest income	21,730
Change in net position	114,411
Net position, July 1, 2021	2,162,240
Net position, June 30, 2022	$ 2,276,651

FULLERTON SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	$ 6,433,570
Payments to employees and fringe benefits	(304,864)
Payments to vendors and suppliers	(920,565)
Payments on insurance claims	(982,506)
Receipts from pending claims	104,824
Net cash provided (used) by operating activities	4,330,459
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	19,482
Net increase (decrease) in cash	4,349,941
Cash, July 1, 2021	797,298
Cash, June 30, 2022	$ 5,147,239
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 92,681
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Receivables, net	16,202
Due from other funds	4,162,139
Estimated liability for open claims and IBNRs	63,284
Accounts payable and accrued liabilities	(3,053)
Due to other funds	(794)
Total adjustments	4,237,778
Net cash (used) by operating activities	$ 4,330,459

FULLERTON SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2022

	Agency Funds Debt Service Fund for Special Tax Bonds
ASSETS	
Deposits	$ 19,706
Investments	2,226,786
Accounts receivable	3,132
Total Assets	$ 2,249,624
LIABILITIES	
Accounts payable	1,849
Unearned revenue	1,473,768
Total Liabilities	1,475,617
NET POSITION	
Restricted	$ 774,007

FULLERTON SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2022

	Agency Funds Debt Service Fund for Special Tax Bonds
ADDITIONS	
Local property taxes	$ 681,182
Interest	568
Total Additions	681,750
Deductions	
General administration	110,470
Debt service-interest	235,974
Debt service-principal	210,226
All other transfers out	22,412
Total Deductions	579,082
Change in fiduciary net position	102,668
Net position - July 1, 2021	671,339
Net position - June 30, 2022	774,007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Fullerton School District Capital Facilities Corporation (the Corporation) financial activity are presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Fullerton School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - 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. The District also maintained a Deferred Maintenance Fund. The Deferred Maintenance Fund does not meet the definition of special revenue funds as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of special revenue funds under GASB 54, the activity in that fund is being reported within the General Fund.

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

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
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.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

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).

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.

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.).

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or custodial capacity for others that cannot be used to support the District's own programs. The key distinction between trust and custodial funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Debt Service Fund for Special Tax Bonds: This fund is used to account for the accumulation of resources for, and the repayment, of Community Facility District bonds, interest and related costs.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)
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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

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

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

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

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)

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. 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.

9. 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.

10. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balances (continued)

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

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

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

11. 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

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

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

G. Property Tax Calendar

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

H. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	$ 42,019,241
Proprietary funds	5,147,239
Governmental Activities	47,166,480
Fiduciary funds	2,246,492
Total deposits and investments	$ 49,412,972

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

Cash on hand and in banks	$ 2,991,750
Cash in revolving fund	100,229
Cash with fiscal agent	268,600
Investments	46,052,393
Total deposits and investments	$ 49,412,972

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2022, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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

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

As of June 30, 2022, $5,140,014 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 Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Maturities of investments held at June 30, 2022, consist of the following:

	Reported Amount	Maturity: Less Than One Year	Maturity: One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
US Bank - Money Market	$ 2,226,786	$ 2,226,786	$ -	Level 2	N/A
County Pool	43,825,607	43,825,607	-	uncategorized	N/A
Total Investments	$ 46,052,393	$ 46,052,393	$ -		

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, 2022, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had the following investment that represents more than five percent of the District's net investments, outside the County pool.

US Bank - Money Market	100%

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

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

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

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

Uncategorized – Investments in the Orange 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 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:					
Categorical aid programs	$ 13,592,595	$ 2,643,659	$ -	$ 16,236,254	$ -
State Government:					
LCFF sources	53,113	-	-	53,113	-
Lottery	738,257	-	-	738,257	-
Child nutrition	-	53,050	-	53,050	-
Categorical aid programs	1,738,055	-	343,031	2,081,086	-
Local:					
Special education	10,124	-	-	10,124	-
Interest	40,878	-	6,496	47,374	2,688
Other local	3,389,095	28,232	53,343	3,470,670	-
Total	$ 19,562,117	$ 2,724,941	$ 402,870	$ 22,689,928	$ 2,688

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds
Balances due to/from other funds at June 30, 2022, consisted of the following:

	Governmental Activities			
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
General Fund	$ -	$ 41,282	$ 41,282	$ 116,133
Non-Major Funds	195,806	-	195,806	79,564
Proprietary Fund	8,234	-	8,234	-
Total	$ 204,040	$ 41,282	$ 245,322	$ 195,697

Child Development Fund due to General Fund for healthcare benefits	$ 61,602
General Fund due to Self Insurance Fund for workers' compensation and payroll benefits	115,880
Child Development Fund due to Self Insurance Fund for payroll benefits	75,609
Miscellaneous Due To/From	187,928
	$ 441,019

NOTE 5 – FUND BALANCES

At June 30, 2022, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 100,000	$ 229	$ -	$ 100,229
Stores inventories	71,864	814,138	-	886,002
Prepaid expenditures	350,906	-	-	350,906
Total Nonspendable	522,770	814,367	-	1,337,137
Restricted:				
Categorical programs	9,917,563	-	67,248	9,984,811
Child nutrition program	-	6,498,748	-	6,498,748
Capital projects	-	-	5,434,300	5,434,300
Debt service	-	-	4,562,157	4,562,157
Student activity	-	-	143,709	143,709
Total Restricted	9,917,563	6,498,748	10,207,414	26,623,725
Committed:				
Declining enrollment	2,500,000	-	-	2,500,000
Deferred maintenance	5,000,000	-	-	5,000,000
Total Committed	7,500,000	-	-	7,500,000
Assigned:				
LCFF supplemental	1,621,812	-	-	1,621,812
LCFF base	809,456	-	-	809,456
Educational services	201,536	-	-	201,536
Textbook adoptions	900,000	-	-	900,000
Deferred maintenance	600,052	-	-	600,052
Total Assigned	4,132,856	-	-	4,132,856
Unassigned:				
Reserve for economic uncertainties	5,456,755	-	-	5,456,755
Remaining unassigned balances	8,881,164	-	-	8,881,164
Total Unassigned	14,337,919	-	-	14,337,919
Total	$ 36,411,108	$ 7,313,115	$ 10,207,414	$ 53,931,637

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2021	Additions	Retirements	Balance, June 30, 2022
Capital assets not being depreciated:				
Land	$ 9,198,655	$ -	$ -	$ 9,198,655
Construction in progress	1,455,878	2,189,828	788,909	2,856,797
Total capital assets not being depreciated	10,654,533	2,189,828	788,909	12,055,452
Capital assets being depreciated:				
Improvement of sites	26,784,039	1,057,636	-	27,841,675
Buildings and improvements	143,605,908	617,160	-	144,223,068
Machinery and equipment	15,410,191	830,747	21,439	16,219,499
Total capital assets being depreciated	185,800,138	2,505,543	21,439	188,284,242
Accumulated depreciation for:				
Improvement of sites	(18,720,391)	(378,581)	-	(19,098,972)
Buildings and improvements	(85,819,817)	(4,615,892)	-	(90,435,709)
Machinery and equipment	(13,798,843)	(739,484)	(20,556)	(14,517,771)
Total accumulated depreciation	(118,339,051)	(5,733,957)	(20,556)	(124,052,452)
Total capital assets being depreciated, net	67,461,087	(3,228,414)	883	64,231,790
Governmental activity capital assets, net	$ 78,115,620	$ (1,038,586)	$ 789,792	$ 76,287,242

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

Changes in long-term debt for the year ended June 30, 2022, were as follows:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	$ 18,903,270	$ -	$ 1,899,698	$ 17,003,572	$ 1,907,802
Accreted interest	5,996,509	440,148	2,105,302	4,331,355	2,267,198
Unamortized issuance premium	358,742	-	65,226	293,516	65,226
Total General Obligation Bonds	25,258,521	440,148	4,070,226	21,628,443	4,240,226
Certificates of Participation	3,670,000	-	405,000	3,265,000	420,000
Fullerton RDA Loan	125,841	-	31,460	94,381	31,460
Early Retirement Incentive	2,333,028	-	679,536	1,653,492	679,536
Financed purchases	1,626,406	-	561,432	1,064,974	559,274
Compensated Absences	2,405,737	129,702	-	2,535,439	-
Claims Payable	2,908,242	63,284	-	2,971,526	-
Totals	$ 38,327,775	$ 633,134	$ 5,747,654	$ 33,213,255	$ 5,930,496

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of Participation payments are made by the General Fund. Financed purchase payments are made by the General Fund. RDA loan payments are made from the Capital Facilities Fund. Accumulated vacation, early retirement incentive, and pensions will be paid for by the fund for which the employee worked. Claims payments are made from the Self-Insurance Fund.

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

A. General Obligation Bonds

On March 5, 2002, a special election was held at which more than 55 percent of the voters in the District approved Measure "CC", which authorized the issuance and sale of $49.7 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. The bonds were issued to finance the construction of new facilities, such as multipurpose rooms, and renovation and improvement at existing schools and to fund a portion of the cost of construction of a new elementary school.

2014 Refunding General Obligation Bonds

On September 18, 2014, the District issued $6,080,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates between 3.0% and 5.0% with annual maturities from August 1, 2015 through August 1, 2026. The net proceeds of $6,685,239 (after premiums of $782,710 and issuance costs of $177,471) were used to prepay the District's outstanding General Obligation Bonds. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of $63,437 remain to be amortized. As of June 30, 2022, all principal balance on the defeased debt was paid.

2018 General Obligation Refunding Bonds

On February 14, 2018, the District issued $12,365,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 1.89% and 3.16% with annual maturities from August 1, 2018 through August 1, 2026. The net proceeds of $12,134,613 (after issuance costs of $230,387) were used to prepay a portion of the District's outstanding General Obligation Refunding Bonds of 2010, in addition to paying the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred amounts of refunding of $237,776 remain to be amortized.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. As of June 30, 2022, the principal balance outstanding on the defeased debt has been fully paid.

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2021	Additions	Deductions	Balance June 30, 2022
2002 A	7/3/2002	8/1/2023	3.25%-5.375%	$ 40,000,458	$ 3,363,270	$ -	$ 1,149,698	$ 2,213,572
2014 Ref.	9/18/2014	8/1/2026	3.0%-5.0%	6,080,000	3,680,000	-	545,000	3,135,000
2018 Ref.	2/14/2018	8/1/2026	1.89%-3.16%	12,365,000	11,860,000	-	205,000	11,655,000
				$ 58,445,458	$ 18,903,270	$ -	$ 1,899,698	$ 17,003,572

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

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2022, were as follows:

Fiscal Year	Principal	Interest	Total
2022-23	$ 1,907,802	$ 2,804,113	$ 4,711,915
2023-24	1,905,770	1,641,285	3,547,055
2024-25	4,120,000	343,340	4,463,340
2025-26	4,400,000	213,240	4,613,240
2026-27	4,670,000	73,246	4,743,246
Total	$ 17,003,572	$ 5,075,224	$ 22,078,796

B. Certificates of Participation

2011 Refunding Certificates of Participation

On November 10, 2011, the District issued $6,935,000 of Refunding Certificates of Participation. The Certificates bear fixed interest rates averaging 3.4% with annual maturities from June 1, 2012 through June 1, 2029. The net proceeds of $6,832,899 (after issuance costs of $102,101) were used to prepay the District's outstanding Certificates of Participation.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of $63,349 remain to be amortized.

As of June 30, 2022, the annual requirements to amortize all certificates were as follows:

Fiscal Year	Principal	Interest	Total
2022-23	$ 420,000	$ 94,800	$ 514,800
2023-24	435,000	82,125	517,125
2024-25	450,000	68,925	518,925
2025-26	465,000	55,350	520,350
2026-27	480,000	41,250	521,250
2027-29	1,015,000	38,250	1,053,250
Total	$ 3,265,000	$ 380,700	$ 3,645,700

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

C. Fullerton Redevelopment Agency Loan

An agreement was entered into May 16, 2000 for the Fullerton Redevelopment Agency to loan $1,320,000 to the District for the expansion of Maple Elementary School. The District received the proceeds from the loan July, 2000. The loan does not accrue interest. Payments are due each July beginning in 2001 for 25 years.

The payment amount is based on the outstanding loan balance at each June 30. Repayment requirements on the June 30, 2022 balance are as follows:

Fiscal Year	Principal
2022-23	$ 31,460
2023-24	31,460
2024-25	31,461
Total	$ 94,381

D. Financed Purchases

The District financed equipment valued at $2.5 million, through agreements that provide for title to pass upon expiration of the lease period. Future minimum payments are as follows:

Fiscal Year	Principal	Interest
2022-23	$ 559,274	$ 11,498
2023-24	371,866	5,006
2024-25	133,834	1,325
Total	$ 1,064,974	$ 17,829

E. Early Retirement

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2022, for these obligations are shown below:

Fiscal Year	Payment
2022-23	679,536
2023-24	324,652
2024-25	324,652
2025-26	324,652
Total	$ 1,653,492

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

F. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings.

On August 8, 2013, the Fullerton School District Financing Authority issued $16,475,000 in special tax revenue refunding bonds. The bonds were issued to refund two outstanding bonds previously issued by the Community Facilities Districts formed by Fullerton School District. The bonds carry stated interest rates ranging between 2.00% - 5.25% and fully mature in September 2031. Special assessment debt of $10,360,000 as of June 30, 2022, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 40,773,463	$ 5,381,419	$ 9,114,681	$ 3,916,614
MPP Program	764,453	-	-	(3,950)
Total	$ 41,537,916	$ 5,381,419	$ 9,114,681	$ 3,912,664

The details of each plan are as follows:

District Plan

Plan Description

Fullerton School District has a single-employer plan that provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. The District provides post-employment healthcare benefits to eligible retirees and their covered spouse or domestic partner and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated, Classified and Management employees may retire with District-paid health benefits after completing at least 10 years of District service and attainment of age 55. Certificated employees must have 10 years of full-time service with the District to be eligible. Classified employees may become eligible based on part-time service, with their District contributions pro-rated for full-time equivalency less than 100%. Management employees may have up to five years of management work in another district credited towards the 10-year requirement. The postretirement health plans and the District's obligation vary by employee group as described below.

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

District Plan (continued)

Benefits Provided (continued)

Certificated Employees
Certificated retirees receive a District contribution equal to the single-party medical premium and dental PPO premium. Spouses may be covered at the retiree's expense; however, if the retiree elects one of the other options available, the District will contribute towards spousal coverage in an amount equal to the excess of the PPO premium over the single premium for the selected plan.

Classified Employees
Classified retirees receive a District contribution equal to the single-party medical and dental PPO premiums and the two-party vision premium. Spouses may be covered, and the District will contribute up to the pro rata share of the cost, based on the relationship of hours worked to full-time employment, for the median value of the lowest two-party HMO plan and the highest two-party HMO plan.

Management Employees
Management retirees receive a District contribution equal to the single-party medical, dental and vision premiums. Spouses may be covered, and the District will contribute an amount on behalf of the spouse equal to the excess of the highest two-party HMO premium over the single premium for the coverage selected.

The District's contribution ends at age 65 in all cases, except that one retired Superintendent is receiving lifetime supplemental coverage for self and spouse. Retired Superintendents and Assistant Superintendents have slightly different provisions that apply but in all cases except those mentioned above, benefits end at age 65. Management retirees are eligible to continue dental and vision coverage at full cost to retiree once they reach age 65.

Employees Covered by Benefit Terms
At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	96
Active employees	1,080
Total	1,176

Total OPEB Liability
The District's total OPEB liability of $40,773,463 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

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

District Plan (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	Retirees who continue with the District medical plan are offered a subsidy equal to the District cap.

Discount Rate
The discount rate of 3.54% is based on the Bond Buyer 20 Bond Index.

Mortality Rates
Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	$ 42,711,880
Changes for the year:	
Service cost	3,247,430
Interest	941,046
Changes of assumptions	(4,589,569)
Benefit payments	(1,537,324)
Net changes	(1,938,417)
Balance at June 30, 2022	$ 40,773,463

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	$ 44,197,628
Current discount rate	$ 40,773,463
1% increase	$ 38,401,756

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

District Plan (continued)

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	$ 35,856,569
Current trend rate	$ 40,773,463
1% increase	$ 46,384,086

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2022, the District recognized OPEB expense of $3,916,614. In addition, at June 30, 2022, 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	$ -	$ 2,947,725
Changes of assumptions	5,381,419	6,166,956
Total	$ 5,381,419	$ 9,114,681

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB 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.

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
2023	$ 520,252	$ 792,114
2024	520,252	792,114
2025	520,252	792,114
2026	520,252	728,424
2027	520,252	701,129
Thereafter	2,780,159	5,308,786
	$ 5,381,419	$ 9,114,681

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

Medicare Premium Payment (MPP) Program

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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

As of June 30, 2021, 5,096 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 25930, contributions that would otherwise be credited to the Defined Benefit 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, 2022, the District reported a liability of $764,453 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, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts 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		
	Fiscal Year Ending June 30, 2022	**Fiscal Year Ending June 30, 2021**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net OPEB Liability	0.191658%	0.181319%	0.010338%

For the year ended June 30, 2022, the District reported OPEB expense of $(3,950).

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

Medicare Premium Payment (MPP) Program (continued)

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

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

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, 2021, 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, 2021, 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, 2021, was 2.16%, which is a decrease from 2.21% as of June 30, 2020.

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

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	MPP OPEB Liability
1% decrease	$ 842,638
Current discount rate	$ 764,453
1% increase	$ 697,653

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	$ 695,180
Current trend rate	$ 764,453
1% increase	$ 843,872

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, 2022, 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	$ 58,024,063	$ 29,420,559	$ 54,367,056	$ (4,914,207)
CalPERS	35,476,346	12,564,528	16,034,666	3,448,653
Totals	$ 93,500,409	$ 41,985,087	$ 70,401,722	$ (1,465,554)

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.92%	16.92%
Required State Contribution Rate	10.828%	10.828%

NOTE 9 – PENSION PLANS (continued)

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

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

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

The contribution rates for each program for the year ended June 30, 2022, are presented above, and the District's total contributions were $11,884,555.

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 58,024,063
State's proportionate share of the net pension liability associated with the District	29,195,458
Total	$ 87,219,521

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2022	**Fiscal Year Ending June 30, 2021**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.127503%	0.119643%	0.007860%

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)
For the year ended June 30, 2022, the District recognized pension expense of $(4,914,207). In addition, the District recognized pension expense and revenue of $(5,088,810) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 11,884,555	$ -
Net change in proportionate share of net pension liability	9,169,258	2,293,558
Difference between projected and actual earnings on pension plan investments	-	45,898,528
Changes of assumptions	8,221,393	-
Differences between expected and actual experience	145,353	6,174,970
Totals	$ 29,420,559	$ 54,367,056

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	$ 5,429,329	$ 14,511,536
2024	5,433,154	12,049,673
2025	1,472,246	12,388,831
2026	1,472,246	13,885,391
2027	1,465,754	891,560
Thereafter	2,263,275	640,065
Totals	$ 17,536,004	$ 54,367,056

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

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

NOTE 9 – PENSION PLANS (continued)

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

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 118,116,224
Current discount rate (7.10%)	58,024,063
1% increase (8.10%)	8,148,716

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 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $8,200,034.

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, 2020 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.

NOTE 9 – PENSION PLANS (continued)

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

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

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

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	22.91%	22.91%

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, 2022 are presented above, and the total District contributions were $6,091,560.

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,476,346. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Change Increase/ (Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.174464%	0.162157%	0.012307%

For the year ended June 30, 2022, the District recognized pension expense of $3,448,653. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 6,091,560	$ -
Net change in proportionate share of net pension liability	3,607,983	530,343
Difference between projected and actual earnings on pension plan investments	1,805,925	15,420,691
Changes of assumptions	-	-
Differences between expected and actual experience	1,059,060	83,632
Totals	$ 12,564,528	$ 16,034,666

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 4.0 years.

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	$ 2,361,501	$ 4,464,002
2024	1,825,803	3,888,369
2025	1,411,550	3,888,368
2026	874,114	3,793,927
Totals	$ 6,472,968	$ 16,034,666

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

Valuation Date	June 30, 2020
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 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 both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 59,818,100
Current discount rate (7.15%)	35,476,346
1% increase (8.15%)	15,267,466

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, 2022, the District reported payables of $254,174 and $391,478 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2022.

NOTE 10 – JOINT POWERS AGREEMENTS

The Fullerton School District participates in two joint ventures under a joint powers agreement (JPA), the Schools Excess Liability Fund (SELF) and Alliance of Schools for Cooperative Insurance Programs (ASCIP). The relationship between the Fullerton School District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes as explained below:

SELF arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. ASCIP arranges for and provides property and liability insurance for its member school districts. The JPAs are governed by boards consisting of representatives from certain member districts. The Boards control the operation of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation of the Board. Each member pays an annual contribution based upon that calculated by the JPAs' Boards and shares surpluses and deficits proportionately to its participation in the JPAs.

The Fullerton School District also participates in a JPA that meets the definition of a component unit, as described below:

The Fullerton School District Financing Authority is a joint exercise of powers agency comprised of the Fullerton School District and Community Facilities District No. 2000-1. Its purpose is to provide financing and refinancing for public capital improvements.

Condensed audited financial information is as follows:

	SELF June 30, 2021	ASCIP June 30, 2021	FSD Finance Authority June 30, 2022
Total Assets	$ 193,642,022	$ 529,148,018	$ 7,435
Deferred outflows-pensions	241,554	1,367,076	-
Total Liabilities	153,709,630	303,776,536	-
Deferred inflows-pensions	5,124	18,113	-
Net Position	$ 40,168,822	$ 226,720,445	$ 7,435
Total Revenues	$ 44,292,615	$ 277,702,451	$ 707,384
Total Expenses	38,080,919	276,495,128	2,469,240
Total Non-Operating Revenues (Expense)	281,214	1,147,409	-
Change in Net Position	$ 6,492,910	$ 2,354,732	$ (1,761,856)

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, 2022, the District had commitments with respect to unfinished capital projects of $929,000 to be paid from a combination of State and local funds.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

C. Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded beyond claims payable and incurred but not reported reserves established in the Self-Insurance Internal Service Fund.

NOTE 12 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District was self-insured for property and liability losses with specific deductibles, but participated in the ASCIP public entity risk pool for excess property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers' Compensation

For fiscal year 2022, the District was self-funded for workers' compensation, with coverage purchased from a private insurer for claims in excess of the $1.0 million retention amount.

Employee Medical Benefits

The District has contracted through Self-Insured Schools of California (SISC), Anthem Blue Cross and Kaiser Permanente to provide employee medical and surgical benefits, Delta Dental and Deltacare USA for dental benefits and Vision Service Plan (VSP).

Claims Liability

The District records an estimated liability for 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.

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, 2020 to June 30, 2022:

	Workers' Compensation
Liability Balance, July 1, 2020	$ 2,935,012
Claims and changes in estimates	1,678,863
Claims payments	(1,604,339)
Liability Balance, June 30, 2021	3,009,536
Claims and changes in estimates	1,900,780
Claims payments	(1,841,343)
Liability Balance, June 30, 2022	$ 3,068,973
Assets available to pay claims at June 30, 2022	$ 5,345,624

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Required Supplementary Information

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FULLERTON SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Local Control Funding Formula Sources	$ 120,399,621	$ 121,671,015	$ 121,671,015	$ -
Federal Sources	6,293,349	28,519,196	23,212,733	(5,306,463)
Other State Sources	14,672,419	32,167,604	25,976,474	(6,191,130)
Other Local Sources	10,438,816	12,570,888	13,748,915	1,178,027
Total Revenues	151,804,205	194,928,703	184,609,137	(10,319,566)
Expenditures				
Current:				
Certificated Salaries	64,492,542	74,276,837	72,385,526	1,891,311
Classified Salaries	24,574,572	29,041,026	28,446,369	594,657
Employee Benefits	46,842,220	48,538,365	47,630,445	907,920
Books and Supplies	5,586,904	19,013,644	9,305,432	9,708,212
Services and Other Operating Expenditures	7,937,143	18,505,179	18,481,389	23,790
Transfers of Indirect Cost	(406,699)	(136,507)	(404,977)	268,470
Capital Outlay	691,823	7,988,074	3,357,363	4,630,711
Intergovernmental	1,225,000	1,386,400	1,601,394	(214,994)
Debt Service	1,090,867	1,225,680	1,090,836	134,844
Total Expenditures	152,034,372	199,838,698	181,893,777	17,944,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,167)	(4,909,995)	2,715,360	7,625,355
Other Financing Sources and Uses				
Proceeds from capital leases	95,908	-	-	-
Net changes in Fund Balances	(134,259)	(4,909,995)	2,715,360	7,625,355
Fund Balance, July 1, 2021	28,413,082	33,693,719	33,695,696	1,977
Fund Balance, June 30, 2022	$ 28,278,823	$ 28,783,724	36,411,056	$ 7,627,332
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Deferred Maintenance Fund			52	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 36,411,108	

FULLERTON SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

CalSTRS	2020-21	2019-20	2018-19	2017-18
District's proportion of the net pension liability	0.1275%	0.1196%	0.1174%	0.1181%
District's proportionate share of the net pension liability	$ 58,024,063	$ 115,944,897	$ 106,047,605	$ 108,556,721
State's proportionate share of the net pension liability associated with the District	29,195,458	59,769,608	57,856,048	62,153,800
Totals	$ 87,219,521	$ 175,714,505	$ 163,903,653	$ 170,710,521
District's covered payroll	$ 65,716,719	$ 65,237,175	$ 63,406,990	$ 65,021,734
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.29%	177.73%	167.25%	166.95%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.1181%	0.1200%	0.1170%	0.1290%
District's proportionate share of the net pension liability	$ 109,180,387	$ 97,057,200	$ 78,769,080	$ 75,383,730
State's proportionate share of the net pension liability associated with the District	64,590,194	55,261,067	41,660,048	45,520,408
Totals	$ 173,770,581	$ 152,318,267	$ 120,429,128	$ 120,904,138
District's covered payroll	$ 62,716,781	$ 60,377,307	$ 57,461,667	$ 53,572,921
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.08%	160.75%	137.08%	140.71%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

Notes to Schedule:

* *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.*

FULLERTON SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

	2020-21	2019-20	2018-19	2017-18
CalPERS				
District's proportion of the net pension liability	0.1745%	0.1622%	0.1633%	0.1623%
District's proportionate share of the net pension liability	$ 35,476,346	$ 49,754,846	$ 47,600,616	$ 43,284,803
District's covered payroll	$ 24,944,585	$ 23,417,215	$ 22,533,966	$ 21,446,584
District's proportionate share of the net pension liability as a percentage of its covered payroll	135.49%	212.47%	211.24%	201.83%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.1687%	0.1673%	0.1644%	0.1587%
District's proportionate share of the net pension liability	$ 40,268,954	$ 33,041,853	$ 24,232,722	$ 18,016,314
District's covered payroll	$ 21,336,110	$ 19,938,997	$ 18,132,291	$ 17,467,785
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.74%	165.71%	133.64%	103.14%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:
* *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.*

FULLERTON SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

	2021-22	2020-21	2019-20	2018-19
CalSTRS				
Contractually required contribution	$ 11,884,555	$ 11,237,559	$ 11,155,557	$ 10,480,427
Contributions in relation to the contractually required contribution	11,884,555	11,237,559	11,155,557	10,480,427
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered payroll	$ 70,239,686	$ 69,582,408	$ 65,237,175	$ 63,406,990
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.53%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 9,382,636	$ 7,889,771	$ 6,478,548	$ 5,102,596
Contributions in relation to the contractually required contribution	9,382,636	7,889,771	6,478,548	5,102,596
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered payroll	$ 65,021,734	$ 62,716,781	$ 60,377,307	$ 57,461,667
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%

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

FULLERTON SCHOOL DISTRICT

Schedule of Pension Contributions-CalPERS

For the Fiscal Year Ended June 30, 2022

Last Ten Fiscal Years*

CalPERS	2021-22	2020-21	2019-20	2018-19
Contractually required contribution	$ 6,091,560	$ 5,163,529	$ 4,618,109	$ 4,070,085
Contributions in relation to the contractually required contribution	6,091,560	5,163,529	4,618,109	4,070,085
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered payroll	26,589,088	24,944,585	23,417,215	$ 22,533,966
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 3,330,869	$ 2,963,158	$ 2,362,173	$ 2,134,352
Contributions in relation to the contractually required contribution	3,330,869	2,963,158	2,362,173	2,134,352
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered payroll	$ 21,446,584	$ 21,336,110	$ 19,938,997	$ 18,132,291
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%

* *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.*

FULLERTON SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2022

Last 10 Fiscal Years*

Employer's Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2021-22	2020-21	2019-20	2018-19	2017-18
Total OPEB liability					
Service cost	$ 3,247,430	$ 4,262,202	$ 3,324,931	$ 2,437,691	$ 2,366,690
Interest	941,046	980,262	829,696	1,198,400	973,022
Differences between expected and actual experience	-	(2,252,599)	(118,290)	(1,286,016)	-
Changes of assumptions or other inputs	(4,589,569)	(1,848,645)	3,904,906	3,274,556	(1,189,399)
Benefit payments	(1,537,324)	(1,711,218)	(1,538,993)	(1,262,276)	(1,428,991)
Net change in total OPEB liability	(1,938,417)	(569,998)	6,402,250	4,362,355	721,322
Total OPEB liability - beginning	42,711,880	43,281,878	36,879,628	32,517,273	31,795,951
Total OPEB liability - ending	$ 40,773,463	$ 42,711,880	$ 43,281,878	$ 36,879,628	$ 32,517,273
Covered payroll	$ 104,948,478	$ 102,139,638	$ 93,190,395	$ 90,580,263	$ 90,469,777
Total OPEB liability as a percentage of covered-payroll	38.9%	41.8%	46.44%	40.71%	35.94%

Notes to Schedule:

** 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*

FULLERTON SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2022

Last 10 Fiscal Years*

Employer's Fiscal Year Measurement Period	**2021-22** **2020-21**	**2020-21** **2019-20**	**2019-20** **2018-19**	**2018-19** **2017-18**	**2017-18** **2016-17**
District's proportion of net OPEB liability	0.1917%	0.1813%	0.1815%	0.1857%	0.1879%
District's proportionate share of net OPEB liability	$ 764,453	$ 768,403	$ 675,818	$ 710,966	$ 790,513
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

Notes to Schedule:

** 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.*

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 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 both CalSTRS and CalPERS.

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

Schedule of Pension Contribution

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 2.16 percent to 3.54 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

Change of assumptions – The discount rate was changed from 2.21 percent to 2.16 percent since the previous valuation.

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Supplementary Information

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The Fullerton School District was established in 1888. The District boundaries encompass approximately 26 square miles in Orange County. There were no changes in the boundaries of the District during the current year. The District is currently operating 15 elementary schools (K-6), two combined K-8 schools, and three junior high schools.

BOARD OF TRUSTEES

Member	Office	Term Expires
Beverly Berryman	President	November 30, 2022
Aaruni Thakur	Vice President	November 30, 2022
Leonel Talavera	Clerk	November 30, 2024
Janny Meyer	Member	November 30, 2022
Hilda Sugarman	Member	November 30, 2024

DISTRICT ADMINISTRATORS

Robert Pletka, Ed.D.,
Superintendent

Robert R. Coghlan, Ph.D.,
Assistant Superintendent, Business Services

Jeremy Davis,
Assistant Superintendent, Innovation and Instructional Support

Chad Hammitt, Ed.D.,
Associate Superintendent, Personnel Services

Julienne Lee, Ed.D.,
Associate Superintendent, Educational Services

FULLERTON SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2022

	Reported to CDE	
	Second Period Report	**Annual Report**
Regular & Extended Year ADA:		
Grades TK/K - 3	4,757.12	4,757.74
Grades 4 - 6	3,779.04	3,769.75
Grades 7 - 8	2,597.59	2,588.91
Total Regular & Extended Year ADA	11,133.75	11,116.40
Special Education - Nonpublic, Nonsectarian Schools:		
Grades 4 - 6	0.50	0.68
Grades 7 - 8	1.49	1.38
Total Special Education - Nonpublic, Nonsectarian Schools	1.99	2.06
Total ADA	11,135.74	11,118.46

	As Audited	
	Second Period Report	**Annual Report**
Regular & Extended Year ADA:		
Grades TK/K - 3	4,756.97	4,757.74
Grades 4 - 6	3,778.97	3,769.75
Grades 7 - 8	2,597.59	2,588.91
Total Regular & Extended Year ADA	11,133.53	11,116.40
Special Education - Nonpublic, Nonsectarian Schools:		
Grades 4 - 6	0.50	0.68
Grades 7 - 8	1.49	1.38
Total Special Education, Nonpublic, Nonsectarian Schools	1.99	2.06
Total ADA	11,135.52	11,118.46

FULLERTON SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2022

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	39,600	180	Complied
Grade 1	50,400	52,740	180	Complied
Grade 2	50,400	52,740	180	Complied
Grade 3	50,400	53,320	180	Complied
Grade 4	54,000	54,980	180	Complied
Grade 5	54,000	54,980	180	Complied
Grade 6	54,000	54,980	180	Complied
Grade 7	54,000	62,632	180	Complied
Grade 8	54,000	62,632	180	Complied

See accompanying note to supplementary information.

FULLERTON SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2022

General Fund	(Budget) 2023 [2]	2022 [3]	2021	2020
Revenues and other financing sources	$ 168,081,245	$ 184,609,137	$ 177,970,698	$ 150,501,639
Expenditures	165,938,102	181,893,777	177,058,129	155,713,563
Change in fund balance (deficit)	2,143,143	2,715,360	912,569	(5,211,924)
Ending fund balance	$ 38,554,199	$ 36,411,056	$ 33,695,696	$ 32,783,127
Available reserves [1]	$ 11,966,636	$ 14,337,919	$ 24,043,873	$ 25,745,184
Available reserves as a percentage of total outgo	7.2%	7.9%	13.6%	16.5%
Total long-term debt	$ 162,321,084	$ 168,251,580	$ 247,507,801	$ 237,101,866
Average daily attendance at P-2	10,983	11,136	N/A	12,440

The General Fund balance has increased by $3.6 million over the past two years. The fiscal year 2022-23 adopted budget projects an increase of $2.1 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years and anticipates an operating surplus for the 2022-23 fiscal year. Total long-term debt has decreased by approximately $68.9 million over the past two years because of updated actuarial valuations.

Average daily attendance decreased by 1,304 in 21-22 compared to the 19-20 year. The District did not report ADA in FY 2020-21 and was funded on its FY 2019-20 ADA. Budgeted ADA for FY 2022-23 is 10,983.

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

[2] Budget as of August, 2022.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

FULLERTON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditure	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program	10.553	13525	$ 326,026	
Especially Needy Breakfast	10.553	13526	511,646	
National School Lunch Program	10.555	13523	1,997,459	
USDA - Donated Foods	10.555	13391	763,403	
Total Child Nutrition Cluster				$ 3,598,534
Child and Adult Care Food Program				
Child and Adult Care Food Program	10.558	13394	4,698,975	
Cash in Lieu of Commodities	10.558	13389	261,557	
Total Child and Adult Care Food Program				4,960,532
Total U.S. Department of Agriculture				8,559,066
U.S. Department of Justice:				
Public Safety Partnership and Community Policing Grants	16.710	2020SVWX0075		16,848
Total U.S. Department of Justice				16,848
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		2,523,147
Title II, Part A, Supporting Effective Instruction	84.367	14341		427,787
English Language Acquisition Grants:				
Title III, Limited English Proficient (LEP) Program	84.365	14346	377,296	
Title III, Immigrant Education Program	84.365	15146	51,223	
Total English Language Acquisition Grants				428,519
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396		358,212
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	201	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	16,841	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	11,200,630	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	2,171,763	
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	1,191,780	
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	273,524	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	776,902	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	84.425U	15621	1,339,246	
Subtotal Education Stabilization Fund:				16,970,887
Passed through North Orange County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	2,390,988	
Preschool Grants, Part B	84.173	13430	72,084	
COVID-19 Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	21,754	
COVID-19 Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	2,507	
Subtotal Special Education (IDEA) Cluster				2,487,333
Total U.S. Department of Education				23,195,885
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
COVID-19 Coronavirus Response and Relief Supplemental Appropriations				
ARP California State Preschool Program One-time Stipend	93.575	15640		123,600
Total U.S. Department of Health & Human Services				123,600
Total Expenditures of Federal Awards				$ 31,895,399

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

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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 35,698,236
Differences between Federal Revenues and Expenditures:		
School Breakfast Program	10.553	(437,307)
Especially Needy Breakfast	10.553	(686,284)
National School Lunch Program	10.555	(2,679,246)
Total Schedule of Expenditures of Federal Awards		$ 31,895,399

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Other Independent Auditors' Reports

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A Professional Accountancy Corporation

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 Trustees
Fullerton School District
Fullerton, 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 Fullerton School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2022.

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 may exist that have not been identified.

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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.

Nigro + Nigro, PC.

Murrieta, California
December 5, 2022

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

Board of Trustees
Fullerton School District
Fullerton, California

Report on Compliance for Each Major Federal Program
We have audited the Fullerton 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 Fullerton School District's major federal programs for the year ended June 30, 2022. The Fullerton 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 Fullerton School District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 Fullerton 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 Fullerton 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 Fullerton School District's federal program

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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 Fullerton School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Fullerton 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 Fullerton 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 Fullerton 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 Fullerton 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.

Nigro + Nigro, PC.

Murrieta, California
December 5, 2022

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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Fullerton School District
Fullerton, California

Report on Compliance

Opinion
We have audited the Fullerton School District's (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, Fullerton 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, 2022.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-22 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 Fullerton School District's state programs.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 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	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

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

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

We 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 Matter
The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2022-001.

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 identity all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro + Nigro, PC.

Murrieta, California
December 5, 2022

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Schedule of Findings and Questioned Costs

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Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.425C, 84.425D, 84.425U	COVID-19: Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 956,862
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

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:

Five Digit Code	AB 3627 Finding Types
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 2021-22.

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 2021-22.

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

Finding 2022-001: Attendance Accounting (10000)

Criteria: California Education Code section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter.

Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.

Condition: During our review of ADA totals reported by the District to CDE, we noted the following misstatements:

- Based on our recalculation, the District overstated ADA reported on the P-2 Report of Attendance (Line-A-1) by 0.15 ADA in grades TK/K-3 and 0.07 ADA in grades 4-6.

Effect: The calculation based on derived value of ADA totals a questioned cost of $2,346. However, based on ADA yield flexibilities enacted for the 2021-22 fiscal year, we do not anticipate any ultimate impact to funding.

Context: Errors were noted in the P2 report.

Cause: The District noted this error during the audit process and attempted to make revisions but was unable to do so because of a closure in the reporting window.

Recommendation: We recommend that the District develop policies and procedures, and implement controls, to ensure that pupil attendance is recorded and reported consistently and accurately.

Views of Responsible Officials: As stated above, the District noticed the error and attempted to make revisions. The California Department of Education did not allow us to update the P-2 (revised) as previously permitted in the past. The District will continue to monitor attendance changes and report accurate Average Daily Attendance going forward. The District will also undergo multiple internal checks and balances throughout the reporting periods.

FULLERTON SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2022

There were no findings or questioned costs in 2020-21.

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NIGRO & NIGRO PC

A Professional Accountancy Corporation

To the Board of Trustees
Fullerton School District
Fullerton, California

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

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2022 on the financial statements of Fullerton School District.

ATTENDANCE

Observation: At **Beechwood**, we noted that one teacher over the week of 11/15 to 11/19 did not certify their attendance on a contemporaneous basis.

> ***Recommendation***: We recommend that the rosters be signed and dated on a weekly basis as required by CDE to create a valid contemporaneous record. Alternatively, the District may seek approval for digital signatures, but a digital system must first be approved by the CDE.

ASSOCIATED STUDENT BODY (ASB)

Observation: One bank reconciliation out of seven was not prepared within the recommended two weeks after the end of the period. The July reconciliation was prepared on September 2.

> ***Recommendation***: We recommend the Account Technician perform monthly bank reconciliations within two weeks after the statement arrives.

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

Nigro + Nigro, PC.

Murrieta, California
December 5, 2022

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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