



December 15, 2023

To the Governing Board
Redlands Unified School District
Redlands, California

We have audited the financial statements of Redlands Unified School District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 15, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing 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 internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 15, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 15, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies related to accounting for subscription-based information technology arrangements to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information*

Technology Arrangements. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Governmental Accounting Standards Board (GASB) requires the District to calculate, recognize, and report the costs and obligations associated with pensions in their financial statements. These amounts were all determined based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which utilized projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The District's proportionate share was determined by calculating the District's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Management's estimate of the net other postemployment benefit (OPEB) liability, related deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on a calculation of actuarially determined contributions for health insurance benefits.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to Other Postemployment Benefits (OPEB) Liability (Note 9), and Employee Retirement Systems (Note 13).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account

balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

There were no corrected misstatements.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Governmental Activities:

• Cafeteria Fund	
○ Understatement of cash in banks	\$109,511
• Aggregate Remaining Funds	
○ Understatement of cash in county	\$24,450
○ Understatement of investments	\$107,587

The effects of these uncorrected misstatements, including the effect of the reversal of the prior year uncorrected misstatements as of and for the year ended June 30, 2023, is the understatement of the fund balance for each of the funds noted above and the respective amounts listed. In aggregate, net position is understated by \$241,548.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor’s Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor’s report.

We have made the following modification to our auditor’s report:

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 15, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

The financial statements include the financial statements of Redlands Unified School District, Community Facilities District (CFD) 2001-1 (other fiduciary component unit), Community Facilities District (CFD) 2006-1 (other fiduciary component unit), and Community Facilities District (CFD) 2016-1 (other fiduciary component unit), which we consider to be significant components of the financial statements. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of Redlands Unified School District, and other fiduciary component units and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of Redlands School District, the blended component unit, and other fiduciary component units and completion of further audit procedures.

This report is intended solely for the information and use of the governing board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Rancho Cucamonga, California



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June 30, 2023

Redlands Unified School District

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Independent Auditor's Report

Governing Board
Redlands Unified School District
Redlands, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redlands Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

A handwritten signature in cursive script that reads "Eide Sallie LLP".

Rancho Cucamonga, California
December 15, 2023



REDLANDS UNIFIED SCHOOL DISTRICT

INTRODUCTION

The discussion and analysis of Redlands Unified School District's (the District) financial performance provides an overall review of the District's financial performance during the fiscal year ended June 30, 2023, with comparative information for the year ended June 30, 2022. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

The Redlands Unified School District serves nearly 20,000 students living in six communities over a 147 square mile area. A dedicated staff of teachers and support personnel serves the minority majority student population of the Redlands Unified School District. The District is comprised of 24 schools plus an alternative education and comprehensive continuation high school.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets, right-to-use leased assets, and right-to-use subscription IT assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The Fund Financial Statements include statements for two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statement to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Redlands Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, we report the District activities as follows:

Governmental Activities - The District's services are reported in this category. This includes the education of kindergarten through grade twelve students, education of adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as our funds for community facility district (CFD) activities. The District's fiduciary activities are reported in the *Statement of Net Position – Fiduciary Funds* and *Statement of Revenues, Expenses, and Change in Net Position – Fiduciary Funds*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

The Redlands Unified School District's government-wide Statement of Net Position shows total net position of \$147,487,032, the result of assets and deferred outflows of resources of \$582,337,867 minus liabilities and deferred inflows of resources of \$434,850,835. This is an increase of 58.5% from the previous year.

General Revenues accounted for \$273,397,551 or 66.7% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$136,251,012 or 33.3% of total revenues of \$409,648,563.

The District had \$355,214,743 in expenses related to governmental activities; only \$136,251,012 of these expenses was offset by program specific revenues for services, grants, or contributions. General revenues (primarily State revenue limit sources and property taxes) of \$273,397,551 were adequate to provide for these programs.

The General Fund reported an ending fund balance of \$108,689,027. This is a net increase of 35.0% from the previous year and is due mainly to one-time restricted Federal and State funding related to Learning Loss Mitigation. Expenditures for these funds will be reflected in the next three fiscal periods.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$147,487,032 for the fiscal year ended June 30, 2023. Of this amount, \$(216,364,344) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the District Governing Board's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2023	2022 as restated
Assets		
Current and other assets	\$ 199,589,594	\$ 168,450,246
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	296,292,182	286,187,100
Total assets	495,881,776	454,637,346
Deferred Outflows of Resources	86,456,091	70,302,263
Liabilities		
Current liabilities	46,285,144	44,711,429
Long-term liabilities	346,600,640	258,672,716
Total liabilities	392,885,784	303,384,145
Deferred Inflows of Resources	41,965,051	128,502,252
Net Position		
Net investment in capital assets	240,165,824	224,601,216
Restricted	123,685,552	83,756,261
Unrestricted (deficit)	(216,364,344)	(215,304,265)
Total net position	\$ 147,487,032	\$ 93,053,212

The \$(216,364,344) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted deficit net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased by \$1,060,079 or 0.5% – \$(216,364,344) compared to \$(215,304,265).

Changes in Net Position

Table 2 shows the changes in net position for fiscal year 2022-2023.

Table 2

	Governmental Activities	
	2023	2022*
Revenues		
Program revenues		
Charges for services and sales	\$ 2,032,439	\$ 3,079,180
Operating grants and contributions	133,675,350	67,314,229
Capital grants and contributions	543,223	-
General revenues		
Federal and State aid not restricted	202,807,045	176,205,591
Property taxes	67,663,669	68,105,594
Other general revenues	2,926,837	11,712,223
Total revenues	<u>409,648,563</u>	<u>326,416,817</u>
Expenses		
Instruction-related	248,452,200	209,497,779
Pupil services	51,369,652	41,131,928
Administration	17,184,741	16,968,190
Plant services	27,884,792	26,644,579
All other services	10,323,358	7,015,760
Total expenses	<u>355,214,743</u>	<u>301,258,236</u>
Change in net position	<u>\$ 54,433,820</u>	<u>\$ 25,158,581</u>

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

Governmental Activities

The District has been able to modify its expenditures through the elimination of one-time expenses and other cost saving measures to reflect the decline in State and Federal funding. Program specific grants and entitlements and charges for services made up 33.3% of revenues for governmental activities. General revenues not restricted to specific programs made up 66.7% of the total revenues available.

Instruction-related expenses comprise 69.9% of expenses; pupil services make up 14.5%, administration 4.8%, plant services 7.9%, and other functional expenses 2.9%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022*	2023	2022*
Instruction-related	\$ 248,452,200	\$ 209,497,779	\$ (154,488,985)	\$ (172,831,038)
Pupil services	51,369,652	41,131,928	(19,594,975)	(18,122,586)
Administration	17,184,741	16,968,190	(15,843,850)	(12,665,795)
Plant services	27,884,792	26,644,579	(22,021,409)	(24,335,192)
All other services	10,323,358	7,015,760	(7,014,512)	(2,910,216)
Total	<u>\$ 355,214,743</u>	<u>\$ 301,258,236</u>	<u>\$ (218,963,731)</u>	<u>\$ (230,864,827)</u>

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$154,399,703, which reflected an increase of \$30,660,886, or 24.8% from the previous year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2022	Revenues	Expenditures	June 30, 2023
General Fund	\$ 80,488,248	\$ 385,246,952	\$ 357,046,173	\$ 108,689,027
Cafeteria Fund	20,056,166	18,125,914	13,463,385	24,718,695
Student Activity Fund	1,875,448	2,053,671	1,966,385	1,962,734
Adult Education Fund	284,776	1,266,426	1,303,195	248,007
Child Development Fund	141,867	960,112	924,868	177,111
Building Fund	140,980	2,458	-	143,438
Capital Facilities Fund	6,356,725	914,444	2,843,525	4,427,644
County School Facilities Fund	71	543,223	543,246	48
Special Reserve Fund for Capital Outlay Projects	159,597	2,783	-	162,380
Capital Projects Fund for Blended Component Units	5,661,350	21,804	9,880	5,673,274
Bond Interest and Redemption Fund	8,573,589	7,526,262	7,902,506	8,197,345
Total	<u>\$ 123,738,817</u>	<u>\$ 416,664,049</u>	<u>\$ 386,003,163</u>	<u>\$ 154,399,703</u>

The primary reason for the increase is:

Our General Fund is our principal operating fund. The fund balance in the General Fund increased by \$28,200,779. This increase is the result of LCFF revenue increase and one-time restricted funds available for expenditure in the next three fiscal periods.

General Fund Budget Information

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in December of each year, to be completed by June 30. During the course of the fiscal year, the District revises its budget as it deals with changes in revenues and expenditures.

General Fund Budget Variations

For the General Fund, actual revenues and other sources were \$300,547,768 with final budget estimated at \$286,136,256. The difference of \$14,411,512 was primarily due to the recognition of payments made by the State of California on-behalf of school districts to the California State Teachers' Retirement System (CalSTRS). This contribution is also allocated as an expense to the appropriate function. Grant and entitlement amounts were not finalized until later in the year. Other changes include prior years' State Aid adjustment LCFF Revenue and increased RDA Revenue. Carryover amounts and ending balances are not determined until the books are finally closed.

Expenditure budget variations are primarily due to the District's delay of expenditures to the subsequent fiscal period. Changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would require budget revisions.

The implementation of new instructional programs can also affect budget projections. New academically focused programs, most notably outlined in the Local Control Accountability Plan, will impact expenditures in personnel, instructional materials, outside services, and supplies.

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

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At the end of the fiscal year 2022-2023, the District had \$296,292,182 invested in capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land and construction in progress, land improvements, buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets, which reflected an increase of \$10,105,082, or 3.5% from the previous year. Table 5 shows fiscal year 2022-2023 balances.

Table 5

	Governmental Activities	
	2023	2022 as restated
Land and construction in progress	\$ 57,321,138	\$ 40,592,801
Land improvements	18,959,139	20,120,156
Buildings and improvements	204,563,901	211,219,176
Furniture and equipment	14,510,084	13,953,687
Right-to-use leased assets	54,226	108,450
Right-to-use subscription IT assets	883,694	192,830
Total	<u>\$ 296,292,182</u>	<u>\$ 286,187,100</u>

Additional information can be found in the notes to the financial statements.

Long-Term Liabilities

At June 30, 2023, the District had \$346,600,640 in long-term liabilities outstanding, which reflected an increase of \$87,927,924, or 34.0% from the previous year. Table 6 summarized these debts.

Table 6

	Governmental Activities	
	2023	2022 as restated
Long-Term Liabilities		
General obligation bonds - net	\$ 57,093,994	\$ 63,053,620
Leases	57,363	111,358
Subscription-based IT arrangements	870,313	192,830
Compensated absences	1,684,238	1,448,083
Net other postemployment benefits (OPEB) liability	53,854,396	50,868,843
Aggregate net pension liability	233,040,336	142,997,982
Total	<u>\$ 346,600,640</u>	<u>\$ 258,672,716</u>

Additional information can be found in the notes to the financial statements.

FOR THE FUTURE

Redlands Unified School District student enrollment for the 2022-2023 year is down over the prior year. While the District expects a downward trend, lasting effects of the current COVID-19 pandemic have created a significantly greater reduction of student enrollment. Current expectation is that this is a temporary issue. The State is allowing an average of the three most recent prior years. As it currently stands, the District is availing itself of this option. The District will continue to closely monitor enrollment and any effects that will accrue to funding. The State's implementation of the Local Control Funding Formula will provide additional State funding in the Budget year in the form of Supplemental and Concentration grant funding. Since the Legislature has no binding obligation to continue planned funding this new apportionment method creates greater uncertainty and risk associated with multi-year planning. Substantial on-going increases to the employer contribution to CalPERS and CalSTRS along with the unknown effects of the Affordable Care Act and increased Property & Liability insurance will necessitate careful planning and monitoring of our finances. Redlands Unified School District is confident that we can continue to provide a quality education for our students and meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District, P.O. Box 3008, Redlands, California 92373-1508.

Redlands Unified School District

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 172,463,694
Receivables	24,919,834
Prepaid expense	1,076,555
Stores inventories	1,129,511
Capital assets not depreciated	57,321,138
Capital assets, net of accumulated depreciation	238,033,124
Right-to-use leased assets, net of accumulated amortization	54,226
Right-to-use subscription IT assets, net of accumulated amortization	883,694
	<u>495,881,776</u>
Total assets	
Deferred Outflows of Resources	
Deferred charge on refunding	86,274
Deferred outflows of resources related to OPEB	5,759,919
Deferred outflows of resources related to pensions	80,609,898
	<u>86,456,091</u>
Total deferred outflows of resources	
Liabilities	
Accounts payable	41,855,633
Accrued interest payable	1,095,253
Unearned revenue	3,334,258
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,478,399
Long-term liabilities other than OPEB and pensions due in more than one year	53,227,509
Net other postemployment benefits (OPEB) liability	53,854,396
Aggregate net pension liability	233,040,336
	<u>392,885,784</u>
Total liabilities	
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	12,838,371
Deferred inflows of resources related to pensions	29,126,680
	<u>41,965,051</u>
Total deferred inflows of resources	
Net Position	
Net investment in capital assets	240,165,824
Restricted for	
Debt service	7,102,092
Capital projects	10,263,346
Educational programs	79,704,898
Child nutrition	24,335,933
Other activities	2,279,283
Unrestricted (deficit)	(216,364,344)
	<u>\$ 147,487,032</u>
Total net position	

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 199,029,506	\$ 1,034,037	\$ 73,827,850	\$ 543,223	\$ (123,624,396)
Instruction-related activities					
Supervision of instruction	15,872,872	81,649	9,764,102	-	(6,027,121)
Instructional library, media, and technology	4,959,230	-	97,616	-	(4,861,614)
School site administration	28,590,592	95,590	8,519,148	-	(19,975,854)
Pupil services					
Home-to-school transportation	7,425,754	154	626,685	-	(6,798,915)
Food services	13,561,264	-	20,180,743	-	6,619,479
All other pupil services	30,382,634	38,206	10,928,889	-	(19,415,539)
Administration					
Data processing	1,939,654	8	170,272	-	(1,769,374)
All other administration	15,245,087	2,371	1,168,240	-	(14,074,476)
Plant services	27,884,792	447,916	5,415,467	-	(22,021,409)
Ancillary services	4,512,904	-	2,109,238	-	(2,403,666)
Community services	41,519	-	-	-	(41,519)
Interest on long-term liabilities	3,061,363	-	-	-	(3,061,363)
Other outgo	2,707,572	332,508	867,100	-	(1,507,964)
Total governmental activities	<u>\$ 355,214,743</u>	<u>\$ 2,032,439</u>	<u>\$ 133,675,350</u>	<u>\$ 543,223</u>	<u>(218,963,731)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					55,572,778
Property taxes, levied for debt service					7,284,903
Taxes levied for other specific purposes					4,805,988
Federal and State aid not restricted to specific purposes					202,807,045
Interest, investment earnings and change in fair market valuations					615,530
Interagency revenues					124,195
Miscellaneous					<u>2,187,112</u>
Subtotal, general revenues and subventions					<u>273,397,551</u>
Change in Net Position					54,433,820
Net Position - Beginning, as restated					<u>93,053,212</u>
Net Position - Ending					<u>\$ 147,487,032</u>

Redlands Unified School District

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 130,858,414	\$ 20,455,546	\$ 21,149,734	\$ 172,463,694
Receivables	19,411,028	4,886,832	621,974	24,919,834
Due from other funds	546,827	108,089	10,999	665,915
Prepaid expenditures	1,076,555	-	-	1,076,555
Stores inventories	751,179	378,332	-	1,129,511
Total assets	\$ 152,644,003	\$ 25,828,799	\$ 21,782,707	\$ 200,255,509
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 40,593,241	\$ 563,977	\$ 698,415	\$ 41,855,633
Due to other funds	117,477	456,127	92,311	665,915
Unearned revenue	3,244,258	90,000	-	3,334,258
Total liabilities	43,954,976	1,110,104	790,726	45,855,806
Fund Balances				
Nonspendable	1,877,734	382,762	-	2,260,496
Restricted	79,704,898	24,335,933	20,883,412	124,924,243
Committed	12,564,375	-	-	12,564,375
Assigned	3,852,020	-	108,569	3,960,589
Unassigned	10,690,000	-	-	10,690,000
Total fund balances	108,689,027	24,718,695	20,991,981	154,399,703
Total liabilities and fund balances	\$ 152,644,003	\$ 25,828,799	\$ 21,782,707	\$ 200,255,509

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

Total Fund Balance - Governmental Funds \$ 154,399,703

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds.

The cost of capital assets is	\$ 469,337,874	
Accumulated depreciation is	<u>(173,983,612)</u>	

Net capital assets		295,354,262
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Right-to-use leased assets used in governmental activities are
not financial resources and, therefore, are not reported as assets in
governmental funds.

The cost of right-to-use leased assets is	162,674	
Accumulated amortization is	<u>(108,448)</u>	

Net right-to-use leased assets		54,226
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Right-to-use subscription IT assets used in governmental activities are
not financial resources and, therefore, are not reported as assets in
governmental funds.

The cost of right-to-use subscription IT assets is	947,971	
Accumulated amortization is	<u>(64,277)</u>	

Net right-to-use subscription IT assets		883,694
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.	(1,095,253)
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Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Deferred charge on refunding	86,274	
Net other postemployment benefits (OPEB) liability	5,759,919	
Aggregate net pension liability	<u>80,609,898</u>	

Total deferred outflows of resources		86,456,091
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Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

Net other postemployment benefits (OPEB) liability	(12,838,371)	
Aggregate net pension liability	<u>(29,126,680)</u>	

Total deferred inflows of resources		(41,965,051)
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Redlands Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	\$ (233,040,336)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(53,854,396)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
General obligation bonds	\$ (48,943,512)
Unamortized premiums	(6,484,882)
Leases	(57,363)
Subscription-based IT arrangements	(870,313)
Compensated absences (vacations)	(1,684,238)
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(1,665,600)</u>
Total long-term liabilities	<u>(59,705,908)</u>
Total net position - governmental activities	<u><u>\$ 147,487,032</u></u>

Redlands Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2023

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 251,068,260	\$ -	\$ -	\$ 251,068,260
Federal sources	28,946,500	11,538,134	229,035	40,713,669
Other State sources	79,203,956	6,243,651	1,609,846	87,057,453
Other local sources	25,273,095	344,129	11,452,302	37,069,526
Total revenues	384,491,811	18,125,914	13,291,183	415,908,908
Expenditures				
Current				
Instruction	205,603,836	-	1,336,208	206,940,044
Instruction-related activities				
Supervision of instruction	15,771,577	-	70,682	15,842,259
Instructional library, media, and technology	5,008,920	-	-	5,008,920
School site administration	28,213,214	-	494,992	28,708,206
Pupil services				
Home-to-school transportation	5,758,334	-	-	5,758,334
Food services	131,073	12,960,409	-	13,091,482
All other pupil services	30,314,256	-	324,890	30,639,146
Administration				
Data processing	2,022,586	-	-	2,022,586
All other administration	15,255,389	238,641	-	15,494,030
Plant services	28,895,504	264,335	11,509	29,171,348
Ancillary services	2,537,351	-	1,966,385	4,503,736
Community services	41,519	-	-	41,519
Other outgo	2,707,572	-	-	2,707,572
Facility acquisition and construction	14,638,003	-	3,386,433	18,024,436
Debt service				
Principal	131,653	-	5,440,000	5,571,653
Interest and other	15,386	-	2,462,506	2,477,892
Total expenditures	357,046,173	13,463,385	15,493,605	386,003,163
Excess (Deficiency) of Revenues Over Expenditures	27,445,638	4,662,529	(2,202,422)	29,905,745
Other Financing Sources				
Other sources - SBITAs	755,141	-	-	755,141
Net Change in Fund Balances	28,200,779	4,662,529	(2,202,422)	30,660,886
Fund Balance - Beginning	80,488,248	20,056,166	23,194,403	123,738,817
Fund Balance - Ending	\$ 108,689,027	\$ 24,718,695	\$ 20,991,981	\$ 154,399,703

Redlands Unified School District

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

Total Net Change in Fund Balances - Governmental Funds	\$ 30,660,886
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

Capital outlay	\$ 20,219,349
Depreciation and amortization expense	<u>(9,721,056)</u>

Net expense adjustment	10,498,293
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(393,211)
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Right-to-use subscription IT assets acquired this year were financed with subscription-based IT arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(755,141)
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.	(236,155)
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.	12,539,423
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Redlands Unified School District

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

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		\$ (2,868,457)
Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		648,490
Deferred charge on refunding amortization		(7,844)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		5,440,000
Leases		53,995
Subscription-based IT arrangements		77,658
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.		(1,224,117)
Change in net position of governmental activities		<u>\$ 54,433,820</u>

Redlands Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 10,413,225</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 10,413,225</u>

Redlands Unified School District
Statement of Change in Net Position – Fiduciary Funds
Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions	
Special tax assessment	\$ 2,845,768
Interest, investment earnings and changes in fair market valuations	<u>39,094</u>
Total additions	<u>2,884,862</u>
Deductions	
Payments to investors	1,112,413
Other expenditures	<u>19,327</u>
Total deductions	<u>1,131,740</u>
Net Change in Fiduciary Net Position	1,753,122
Net Position - Beginning	<u>8,660,103</u>
Net Position - Ending	<u><u>\$ 10,413,225</u></u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Redlands Unified School District (the District) was unified in 1963 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 16 elementary schools, four middle schools, three high schools, one continuation high school, an adult education program, an independent study program, and a home-school study.

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

Other Related Entities

The District has approved one charter school pursuant to *Education Code* Section 47605. The Grove School is operated independently of the District and is not considered a component unit of the District. The District receives revenue on behalf of The Grove School, which it passes on to the charter school.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval. (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

- **Capital Projects Fund for Blended Component Units** The Capital Projects Fund for Blended Component Unit are used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial fund is used to account for various community facilities districts (the CFDs).

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All Governmental Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.
- **Fiduciary Funds** Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Stores Inventories

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

Prepaid Expenditures (Expenses)

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

Capital Assets, Depreciation, and Amortization

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

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

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

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

Subscriptions

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report \$123,685,552 of restricted net position restricted by enabling legislation.

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard are included in Notes 4 and 8.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	\$ 172,463,694
Fiduciary funds	<u>10,413,225</u>
Total deposits and investments	<u><u>\$ 182,876,919</u></u>

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

Cash on hand and in banks	\$ 1,970,495
Cash with fiscal agent	4,207,371
Cash in revolving	54,430
Investments	<u>176,644,623</u>
Total deposits and investments	<u><u>\$ 182,876,919</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool to provide the cash flow and liquidity needed for operations, by having the San Bernardino County Treasury Investment Pool purchase a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days/ Maturity Date
First American Treasury Obligation Money Market Mutual Funds, Class D	\$ 5,043,248	42
U.S. Bank Money Market Funds	3,126,196	N/A
San Bernardino County Treasury Investment Pool	168,475,179	539
Total	<u>\$ 176,644,623</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the San Bernardino County Treasury Investment Pool is rated AAA by Fitch Ratings and the First American Treasury Obligations Money Market Mutual Funds, Class D are rated AAA by Standard and Poor's. U.S. Bank Money Market Funds are not rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of \$3,957,371 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 9,336,965	\$ 2,914,285	\$ 64,911	\$ 12,316,161
State Government				
Categorical aid	5,930,915	1,667,719	356,723	7,955,357
Lottery	1,125,822	-	-	1,125,822
Special education	1,630,216	-	-	1,630,216
Local Government				
Interest	799,198	159,080	53,948	1,012,226
Other local sources	587,912	145,748	146,392	880,052
Total	<u>\$ 19,411,028</u>	<u>\$ 4,886,832</u>	<u>\$ 621,974</u>	<u>\$ 24,919,834</u>

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

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

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 38,161,711	\$ -	\$ -	\$ 38,161,711
Construction in progress	2,431,090	16,728,337	-	19,159,427
Total capital assets not being depreciated	40,592,801	16,728,337	-	57,321,138
Capital assets being depreciated				
Land improvements	27,531,762	-	-	27,531,762
Buildings and improvements	356,988,475	-	-	356,988,475
Furniture and equipment	35,645,492	2,735,871	(10,884,864)	27,496,499
Total capital assets being depreciated	420,165,729	2,735,871	(10,884,864)	412,016,736
Total capital assets	460,758,530	19,464,208	(10,884,864)	469,337,874
Accumulated depreciation				
Land improvements	(7,411,606)	(1,161,017)	-	(8,572,623)
Buildings and improvements	(145,769,299)	(6,655,275)	-	(152,424,574)
Furniture and equipment	(21,691,805)	(1,786,263)	10,491,653	(12,986,415)
Total accumulated depreciation	(174,872,710)	(9,602,555)	10,491,653	(173,983,612)
Net depreciable capital assets	245,293,019	(6,866,684)	(393,211)	238,033,124
Right-to-use leased assets being amortized				
Buildings and improvements	162,674	-	-	162,674
Accumulated amortization				
Furniture and equipment	(54,224)	(54,224)	-	(108,448)
Net right-to-use leased assets	108,450	(54,224)	-	54,226
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	192,830	755,141	-	947,971
Accumulated amortization	-	(64,277)	-	(64,277)
Net right-to-use subscription IT assets	192,830	690,864	-	883,694
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	\$ 286,187,100	\$ 10,498,293	\$ (393,211)	\$ 296,292,182

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

Governmental Activities	
Instruction	\$ 5,838,939
Supervision of instruction	95,446
Instructional library, media, and technology	95,445
School site administration	286,338
Home-to-school transportation	1,813,474
Food services	668,123
Data processing	159,723
Plant services	763,568
	<u>9,721,056</u>
Total depreciation and amortization expense governmental activities	<u>\$ 9,721,056</u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 456,127	\$ 90,700	\$ 546,827
Cafeteria Fund	108,089	-	-	108,089
Non-Major Governmental Funds	9,388	-	1,611	10,999
	<u>117,477</u>	<u>456,127</u>	<u>92,311</u>	<u>665,915</u>
Total	\$ 117,477	\$ 456,127	\$ 92,311	\$ 665,915

The balance of \$456,127 due to the General Fund from the Cafeteria Fund resulted from health benefit costs, postage, and other operating costs to be reimbursed.

The balance of \$108,089 due to the Cafeteria Fund from the General Fund resulted from various payroll taxes owed.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) Payments between funds are made.

Note 6 - Accounts Payable

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 18,315,033	\$ 144,888	\$ 131,180	\$ 18,591,101
LCFF apportionment	1,886,571	-	-	1,886,571
Due to CDE	4,295,138	-	-	4,295,138
Other Vendor Payables	16,096,499	419,089	567,235	17,082,823
Total	<u>\$ 40,593,241</u>	<u>\$ 563,977</u>	<u>\$ 698,415</u>	<u>\$ 41,855,633</u>

Note 7 - Unearned Revenue

	General Fund	Cafeteria Fund	Total Governmental Activities
Federal financial assistance	<u>\$ 3,244,258</u>	<u>\$ 90,000</u>	<u>\$ 3,334,258</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions**Summary**

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

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 55,920,248	\$ 128,864	\$ (5,440,000)	\$ 50,609,112	\$ 6,000,000
Unamortized premiums	7,133,372	-	(648,490)	6,484,882	-
Leases	111,358	-	(53,995)	57,363	57,363
Subscription-based IT arrangements	192,830	755,141	(77,658)	870,313	421,036
Compensated absences (vacations)	1,448,083	236,155	-	1,684,238	-
Total	<u>\$ 64,805,891</u>	<u>\$ 1,120,160</u>	<u>\$ (6,220,143)</u>	<u>\$ 59,705,908</u>	<u>\$ 6,478,399</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on leases and the subscription-based IT arrangements will be paid by the General Fund. The compensated absences will be paid by the General Fund and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
5/29/2003	7/1/2027	1.80-5.12%	\$ 29,998,512	\$ 2,485,248	\$ 128,864	\$ -	\$ 2,614,112
11/29/2017	7/1/2033	2.00-5.00%	75,115,000	53,435,000	-	(5,440,000)	47,995,000
				<u>\$ 55,920,248</u>	<u>\$ 128,864</u>	<u>\$ (5,440,000)</u>	<u>\$ 50,609,112</u>

2002 General Obligation Bonds, Series 2003

On May 29, 2003, the District issued the 2002 General Obligation Bonds, Series 2003 in the amount of \$29,998,512. The Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$2,251,488 and an aggregate principal debt service balance of \$32,250,000. The bonds have a final maturity to occur on July 1, 2027, with interest rates ranging from 1.80 to 5.12%. Proceeds from the sale of the bonds were used to finance the repair, renovation, rehabilitation, replacement, construction, acquisition, improvement, furnishing and equipping of school facilities, and the acquisition of land within the District. At June 30, 2023, the principal balance outstanding was \$2,614,112.

General Obligation Refunding Bonds, Series 2017

On November 29, 2017, the District issued the General Obligation Refunding Bonds, Series 2017 in the amount of \$75,115,000. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on July 1, 2033, with interest rates ranging from 2.00 to 5.00%. Proceeds from sale of bonds were used to refund, on a current basis, a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003, to refund, on a current basis, all outstanding General Obligation Bonds, Election of 2002, Series 2005, to refund, on an advance basis, a portion of the outstanding General Obligation Bonds, Election of 2008, Series 2008, and to pay costs of issuance of the General Obligation Refunding Bonds, Series 2017. At June 30, 2023, the principal balance outstanding of the General Obligation Refunding Bonds, Series 2017 was \$47,995,000 and unamortized premium on issuance and deferred charge on refunding were \$6,484,882 and \$86,274, respectively.

The bonds mature through 2034, as follows:

Year Ending June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2024	\$ 6,000,000	\$ -	\$ 2,190,506	\$ 8,190,506
2025	6,265,000	-	1,890,506	8,155,506
2026	6,835,000	-	1,577,256	8,412,256
2027	4,680,000	-	1,235,506	5,915,506
2028	7,000,000	-	1,001,506	8,001,506
2029-2034	19,829,112	585,888	1,906,231	22,321,231
Total	<u>\$ 50,609,112</u>	<u>\$ 585,888</u>	<u>\$ 9,801,511</u>	<u>\$ 60,996,511</u>

Leases

The District has entered into an agreement to lease a facility (classroom). As of June 30, 2023, the District recognized a right-to-use asset, net of amortization, of \$54,226 and a lease liability of \$57,363 related to this agreement. The District is required to make principal and interest payments through 2024. The lease agreement has an interest rate of 4.00%.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 57,363</u>	<u>\$ 1,251</u>	<u>\$ 58,614</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITA agreements for the use of various software. As of June 30, 2023, the District recognized a right-to-use subscriptions IT asset of \$883,694 and a SBITA liability of \$870,313 related to these agreements. During the fiscal year, the District recorded \$64,277 in amortization expense. The District is required to make annual principal and interest payments through 2028. The subscriptions have an interest rate of 4.25%.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 421,036	\$ 4,895	\$ 425,931
2025	199,807	19,095	218,902
2026	154,201	10,602	164,803
2027	45,811	4,049	49,860
2028	<u>49,458</u>	<u>2,102</u>	<u>51,560</u>
Total	<u>\$ 870,313</u>	<u>\$ 40,743</u>	<u>\$ 911,056</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$1,684,238.

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 52,798,756	\$ 5,759,919	\$ 12,838,371	\$ 4,530,575
Medical Premium Payment (MPP) Program	1,055,640	-	-	(186,977)
Total	<u>\$ 53,854,396</u>	<u>\$ 5,759,919</u>	<u>\$ 12,838,371</u>	<u>\$ 4,343,598</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2022, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	109
Active employees	1,954
Total	<u>2,063</u>

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2023, the District paid \$1,475,141 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$52,798,756 was measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	3.65% for 2023
Healthcare cost trend rates	4.00%

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	<u>\$ 49,626,226</u>
Service cost	3,317,001
Interest	1,789,369
Changes of assumptions	(458,699)
Benefit payments	<u>(1,475,141)</u>
Net change in total OPEB liability	<u>3,172,530</u>
Balance, June 30, 2023	<u><u>\$ 52,798,756</u></u>

There were no changes in benefit terms.

Changes of assumptions reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.65%)	\$ 56,745,213
Current discount rate (3.65%)	52,798,756
1% increase (4.65%)	49,170,289

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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 46,634,603
Current healthcare cost trend rate (4.00%)	52,798,756
1% increase (5.00%)	60,046,132

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2023, the District recognized OPEB expense of \$4,530,575. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,299,235	\$ 7,985,950
Changes of assumptions	3,460,684	4,852,421
Total	<u>\$ 5,759,919</u>	<u>\$ 12,838,371</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (575,795)
2025	(575,795)
2026	(575,795)
2027	(575,795)
2028	(575,795)
Thereafter	(4,199,477)
Total	<u>\$ (7,078,452)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$1,055,640 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.3205%, and 0.3115%, resulting in a net increase in the proportionate share of 0.0090%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(186,977).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

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

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	\$ 1,150,850
Current discount rate (3.54%)	1,055,640
1% increase (4.54%)	973,199

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 968,588
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	1,055,640
1% increase (5.50% Part A and 6.40% Part B)	1,154,317

Note 10 - 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 Mark-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. Special assessment debt of \$16,520,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ 4,430	\$ -	\$ 54,430
Stores inventories	751,179	378,332	-	1,129,511
Prepaid expenditures	1,076,555	-	-	1,076,555
Total nonspendable	1,877,734	382,762	-	2,260,496
Restricted				
Legally restricted programs	79,704,898	-	-	79,704,898
Other activities	-	-	2,279,283	2,279,283
Child nutrition	-	24,335,933	-	24,335,933
Capital projects	-	-	10,406,784	10,406,784
Debt service	-	-	8,197,345	8,197,345
Total restricted	79,704,898	24,335,933	20,883,412	124,924,243
Committed				
Textbook adoptions	6,564,375	-	-	6,564,375
REV Stadium Phase II	6,000,000	-	-	6,000,000
Total committed	12,564,375	-	-	12,564,375
Assigned				
Furniture and equipment	750,000	-	-	750,000
Donations/fundraiser	712,040	-	-	712,040
Sites - SSP	460,561	-	-	460,561
Lottery	1,784,148	-	-	1,784,148
AQMD grant buses	42,710	-	-	42,710
Site equipment allocation (DISC)	2,561	-	-	2,561
Security	100,000	-	-	100,000
Child development	-	-	24,454	24,454
Adult education	-	-	84,115	84,115
Total assigned	3,852,020	-	108,569	3,960,589
Unassigned				
Reserve for economic uncertainties	10,690,000	-	-	10,690,000
Total	\$ 108,689,027	\$ 24,718,695	\$ 20,991,981	\$ 154,399,703

Note 12 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District contracted with Southern California Regional Liability Excess Fund (SCR) public entity risk pool for property and liability insurance coverage. Excess liability coverage has been secured through participation in the Schools Association for Excess Risk (SAFER) public entity risk pool. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2023, the District participated in the Protected Insurance Program for Schools (PIPS) public entity risk pool. The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated based on each participating district's experience rating and a premium/contribution rate is applied to all districts in PIPS. Participation in PIPS is limited to districts that can meet PIPS' membership requirements.

Employee Medical Benefits

The District has participated in the Controlling Insurance Costs in California Schools (CISS) public entity risk pool for dental, vision, and life insurance coverage. CISS is a shared risk pool comprised of local educational agencies. Rates are set through an annual process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating members. The District purchases medical insurance from commercial insurance companies for healthcare coverage and additional dental coverage.

Note 13 - Employee Retirement Systems

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

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

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 148,372,351	\$ 49,327,039	\$ 27,020,032	\$ 14,096,509
CalPERS	84,667,985	31,282,859	2,106,648	11,931,002
Total	<u>\$ 233,040,336</u>	<u>\$ 80,609,898</u>	<u>\$ 29,126,680</u>	<u>\$ 26,027,511</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)**Plan Description**

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$26,889,709.

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

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

Total Net Pension Liability, including State share

Proportionate share of net pension liability	\$ 148,372,351
State's proportionate share of the net pension liability	<u>74,304,293</u>
Total	<u>\$ 222,676,644</u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.2135% and 0.2073%, resulting in a net increase in the proportionate share of 0.0062%.

For the year ended June 30, 2023, the District recognized pension expense of \$14,096,509. In addition, the District recognized pension expense and revenue of \$5,992,592 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 26,889,709	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	14,957,430	8,639,507
Differences between projected and actual earnings on pension plan investments	-	7,255,695
Differences between expected and actual experience in the measurement of the total pension liability	121,711	11,124,830
Changes of assumptions	<u>7,358,189</u>	<u>-</u>
Total	<u>\$ 49,327,039</u>	<u>\$ 27,020,032</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (5,329,847)
2025	(5,773,986)
2026	(8,673,701)
2027	12,521,839
Total	<u>\$ (7,255,695)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 6,365,752
2025	(95,223)
2026	21,593
2027	(603,336)
2028	(2,868,640)
Thereafter	(147,153)
Total	<u>\$ 2,672,993</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 251,991,282
Current discount rate (7.10%)	148,372,351
1% increase (8.10%)	62,337,484

California Public Employees Retirement System (CalPERS)**Plan Description**

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

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

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.370%	25.370%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$11,677,225.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$84,667,985. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.2461% and 0.2394%, resulting in a net increase in the proportionate share of 0.0067%.

For the year ended June 30, 2023, the District recognized pension expense of \$11,931,002. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,677,225	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,962,743	-
Differences between projected and actual earnings on pension plan investments	9,996,986	-
Differences between expected and actual experience in the measurement of the total pension liability	382,649	2,106,648
Changes of assumptions	6,263,256	-
	<u>\$ 31,282,859</u>	<u>\$ 2,106,648</u>
Total	<u>\$ 31,282,859</u>	<u>\$ 2,106,648</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 1,667,179
2025	1,478,673
2026	755,325
2027	6,095,809
	<u>\$ 9,996,986</u>
Total	<u>\$ 9,996,986</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 3,248,880
2025	2,469,346
2026	1,802,097
2027	(18,323)
Total	<u>\$ 7,502,000</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 122,307,191
Current discount rate (6.90%)	84,667,985
1% increase (7.90%)	53,560,564

Alternative Retirement Program

The District also contributes to the Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

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 APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75% of an employee's gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$155,677, which was 3.75% of its current year covered payroll. Employees required and actual contributions matched that of the employers.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$11,859,726 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies**Grants**

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

Construction Commitments

As of June 30, 2023, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
HVAC Project	\$ 3,500,000	12/31/24
REV HS Parking Lot	1,750,000	06/30/24
REV HS Pool Project	525,000	12/31/24
Radio System Upgrade	198,000	01/31/24
Total	<u>\$ 5,973,000</u>	

Litigation

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

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

The District is a member of the Controlling Insurance Costs in California Schools (CICCS), Protected Insurance Program for Schools (PIPS), Southern California Regional Liability Excess Fund (SCR) public entity risk pools, Redlands Unified School District/Loma Linda Redevelopment Agency (RUSD/LLRA), and the Colton-Redlands-Yucaipa Regional Occupational Program (CRYROP) joint powers authorities (JPA's). Payments for employee medical benefits are paid to CICCS. Payments for workers' compensation coverage are paid to PIPS. The District pays an annual premium to SCR for property and liability coverage. The District also pays Schools Association for Excess Risk (SAFER) through SCR an annual premium for excess insurance for property and liability coverage. ROP services are paid to the CRYROP JPA. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

During the year ended June 30, 2023, the District made payments of \$4,479,588, \$3,896,208, \$3,934,187, and \$2,652,423 to CICCS, PIPS, SCR, and CRYROP, respectively, for the services and coverage noted.

Note 16 - Subsequent Events

On September 13, 2023, the District, pursuant to a lease agreement with the Redlands Unified School District Facilities Corporation, issued certificates of participation in the amount of \$21,210,000. The certificates of participation were issued to finance the acquisition, construction, installation, improvement, and equipping of the District central warehouse, kitchen, and meeting facilities, and to pay the cost of issuance. The interest rate for the certificates is 5.00%, and mature through June 1, 2043.

Note 17 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	\$ 93,053,212
Right-to-use subscription IT assets, net of amortization	192,830
Subscription liabilities	<u>(192,830)</u>
Net Position - Beginning, as restated on July 1, 2022	<u><u>\$ 93,053,212</u></u>



Required Supplementary Information
June 30, 2023

Redlands Unified School District

Redlands Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 238,181,382	\$ 251,003,750	\$ 251,068,260	\$ 64,510
Federal sources	37,847,397	46,789,539	28,946,500	(17,843,039)
Other State sources	65,791,544	78,561,073	79,203,956	642,883
Other local sources	17,514,345	19,443,143	25,273,095	5,829,952
Total revenues	359,334,668	395,797,505	384,491,811	(11,305,694)
Expenditures				
Current				
Certificated salaries	132,900,435	153,215,057	153,215,058	(1)
Classified salaries	41,002,283	48,485,429	48,484,244	1,185
Employee benefits	71,879,217	83,415,750	83,415,750	-
Books and supplies	28,150,941	30,862,271	17,574,801	13,287,470
Services and operating expenditures	49,714,774	73,860,611	35,699,738	38,160,873
Other outgo	2,823,588	2,823,588	2,468,929	354,659
Capital outlay	15,416,878	25,092,831	16,040,614	9,052,217
Debt service				
Debt service - principal	-	-	131,653	(131,653)
Debt service - interest and other	-	-	15,386	(15,386)
Total expenditures	341,888,116	417,755,537	357,046,173	60,709,364
Excess (Deficiency) of Revenues Over Expenditures	17,446,552	(21,958,032)	27,445,638	49,403,670
Other Financing Sources				
Other sources - SBITAs	-	-	755,141	755,141
Net Change in Fund Balances	17,446,552	(21,958,032)	28,200,779	50,158,811
Fund Balance - Beginning	80,488,248	80,488,248	80,488,248	-
Fund Balance - Ending	\$ 97,934,800	\$ 58,530,216	\$ 108,689,027	\$ 50,158,811

Redlands Unified School District
Budgetary Comparison Schedule – Cafeteria Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Federal sources	\$ 16,384,700	\$ 16,474,700	\$ 11,538,134	\$ (4,936,566)
Other State sources	-	2,873,605	6,243,651	3,370,046
Other local sources	50,000	50,000	344,129	294,129
Total revenues	16,434,700	19,398,305	18,125,914	(1,272,391)
Expenditures				
Current				
Classified salaries	3,153,846	4,382,787	4,343,806	38,981
Employee benefits	1,396,210	2,014,589	1,992,186	22,403
Books and supplies	10,456,245	11,100,408	5,819,376	5,281,032
Services and operating expenditures	630,650	854,050	441,009	413,041
Other outgo	59,224	59,224	238,642	(179,418)
Capital outlay	740,000	988,722	628,366	360,356
Total expenditures	16,436,175	19,399,780	13,463,385	5,936,395
Net Change in Fund Balances	(1,475)	(1,475)	4,662,529	4,664,004
Fund Balance - Beginning	20,056,166	20,056,166	20,056,166	-
Fund Balance - Ending	\$ 20,054,691	\$ 20,054,691	\$ 24,718,695	\$ 4,664,004

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

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 3,317,001	\$ 4,423,880	\$ 4,277,792
Interest	1,789,369	1,331,502	1,269,622
Difference between expected and actual experience	-	(9,412,014)	-
Changes of assumptions	(458,699)	(5,219,272)	182,600
Benefit payments	<u>(1,475,141)</u>	<u>(1,859,120)</u>	<u>(1,879,875)</u>
Net change in total OPEB liability	3,172,530	(10,735,024)	3,850,139
Total OPEB Liability - Beginning	<u>49,626,226</u>	<u>60,361,250</u>	<u>56,511,111</u>
Total OPEB Liability - Ending	<u>\$ 52,798,756</u>	<u>\$ 49,626,226</u>	<u>\$ 60,361,250</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 3,992,657	\$ 3,697,449	\$ 3,598,491
Interest	1,633,427	1,468,500	1,454,646
Difference between expected and actual experience	3,183,559	-	-
Changes of assumptions	3,799,099	921,326	-
Benefit payments	<u>(1,541,298)</u>	<u>(1,504,033)</u>	<u>(1,446,186)</u>
Net change in total OPEB liability	11,067,444	4,583,242	3,606,951
Total OPEB Liability - Beginning	<u>45,443,667</u>	<u>40,860,425</u>	<u>37,253,474</u>
Total OPEB Liability - Ending	<u>\$ 56,511,111</u>	<u>\$ 45,443,667</u>	<u>\$ 40,860,425</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

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

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.3205%	0.3115%	0.3800%
Proportionate share of the net OPEB liability	\$ 1,055,640	\$ 1,242,617	\$ 1,610,567
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.3499%	0.3363%	0.3406%
Proportionate share of the net OPEB liability	\$ 1,303,142	\$ 1,287,228	\$ 1,432,845
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

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

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.2135%	0.2073%	0.2181%	0.1978%	0.1874%
Proportionate share of the net pension liability	\$ 148,372,351	\$ 94,317,361	\$ 211,366,080	\$ 178,656,722	\$ 172,198,009
State's proportionate share of the net pension liability	74,304,293	47,457,140	108,959,239	97,469,169	98,591,413
Total	<u>\$ 222,676,644</u>	<u>\$ 141,774,501</u>	<u>\$ 320,325,319</u>	<u>\$ 276,125,891</u>	<u>\$ 270,789,422</u>
Covered payroll	<u>\$ 125,238,381</u>	<u>\$ 117,187,697</u>	<u>\$ 116,228,409</u>	<u>\$ 104,619,767</u>	<u>\$ 98,959,286</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	118.47%	80.48%	181.85%	170.77%	174.01%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.1881%	0.1860%	0.1927%	0.1732%
Proportionate share of the net pension liability		\$ 173,974,394	\$ 150,401,473	\$ 129,743,955	\$ 101,224,679
State's proportionate share of the net pension liability		102,921,782	85,620,876	68,620,250	61,123,831
Total		<u>\$ 276,896,176</u>	<u>\$ 236,022,349</u>	<u>\$ 198,364,205</u>	<u>\$ 162,348,510</u>
Covered payroll		<u>\$ 98,720,064</u>	<u>\$ 93,308,900</u>	<u>\$ 89,448,401</u>	<u>\$ 89,768,883</u>
Proportionate share of the net pension liability as a percentage of its covered payroll		176.23%	161.19%	145.05%	112.76%
Plan fiduciary net position as a percentage of the total pension liability		69%	70%	74%	77%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

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

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.2461%	0.2394%	0.2330%	0.2177%	0.2247%
Proportionate share of the net pension liability	\$ 84,667,985	\$ 48,680,021	\$ 71,486,939	\$ 63,442,811	\$ 59,906,175
Covered payroll	\$ 38,117,364	\$ 34,517,845	\$ 34,562,076	\$ 30,339,846	\$ 29,629,090
Proportionate share of the net pension liability as a percentage of its covered payroll	222.12%	141.03%	206.84%	209.11%	202.19%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.2278%	0.2206%	0.2266%	0.2256%
Proportionate share of the net pension liability		\$ 54,387,344	\$ 43,563,709	\$ 33,396,035	\$ 25,605,911
Covered payroll		\$ 29,091,158	\$ 26,606,930	\$ 31,755,484	\$ 25,079,473
Proportionate share of the net pension liability as a percentage of its covered payroll		186.95%	163.73%	105.17%	102.10%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

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

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 26,889,709	\$ 21,190,334	\$ 18,925,813	\$ 19,875,058	\$ 17,032,098
Less contributions in relation to the contractually required contribution	<u>26,889,709</u>	<u>21,190,334</u>	<u>18,925,813</u>	<u>19,875,058</u>	<u>17,032,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 140,783,817</u>	<u>\$ 125,238,381</u>	<u>\$ 117,187,697</u>	<u>\$ 116,228,409</u>	<u>\$ 104,619,767</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 14,279,825	\$ 12,418,984	\$ 10,012,045	\$ 7,943,018
Less contributions in relation to the contractually required contribution		<u>14,279,825</u>	<u>12,418,984</u>	<u>10,012,045</u>	<u>7,943,018</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 98,959,286</u>	<u>\$ 98,720,064</u>	<u>\$ 93,308,900</u>	<u>\$ 89,448,401</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

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

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 11,677,225	\$ 8,732,688	\$ 7,145,194	\$ 6,815,987	\$ 5,479,983
Less contributions in relation to the contractually required contribution	<u>11,677,225</u>	<u>8,732,688</u>	<u>7,145,194</u>	<u>6,815,987</u>	<u>5,479,983</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 46,027,690</u>	<u>\$ 38,117,364</u>	<u>\$ 34,517,845</u>	<u>\$ 34,562,076</u>	<u>\$ 30,339,846</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 4,601,694	\$ 4,040,180	\$ 3,152,123	\$ 3,737,938
Less contributions in relation to the contractually required contribution		<u>4,601,694</u>	<u>4,040,180</u>	<u>3,152,123</u>	<u>3,737,938</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 29,629,090</u>	<u>\$ 29,091,158</u>	<u>\$ 26,606,930</u>	<u>\$ 31,755,484</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* – No changes noted in benefit terms.
- *Changes of Assumptions* – Changes of assumptions reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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

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

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

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

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

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

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

Redlands Unified School District

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Education: Basic Grants to States ELA	84.002	14508	\$ 62,860
Adult Education: Basic Grants to States Secondary	84.002	13978	<u>166,175</u>
Subtotal			<u>229,035</u>
English Language Acquisition State Grants English - English Learning Student	84.365	14346	214,589
Title I Grants to Local Educational Agencies - Low Income and Neglected	84.010	14329	5,288,887
Title I Grants to Local Educational Agencies - School Improvement Funding for LEAs	84.010	15438	<u>8,792</u>
Subtotal			<u>5,297,679</u>
Title II, Part A Supporting Effective Instruction	84.367	14341	571,033
Special Education - Early Intervention Grant	84.181	23761	14,436
Title IV, Part A Student Support and Academic Enrichment Grants	84.424	15396	455,866
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	164,109
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	10,006,431
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER II) Fund: Learning Loss	84.425U	10155	2,432,313
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	2,565,917
COVID-19 Expanded Learning Opportunities (ELO) Grant: GEER II	84.425U	15619	588,901
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W	15566	<u>24,098</u>
Subtotal			<u>15,617,660</u>
Passed Through East Valley SELPA			
Special Education Cluster (IDEA)			
COVID 19 Special Education: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	899,819
COVID 19 Special Education: ARP IDEA Part B, Sec. 611, Local Assistance Private School Individual Service Plans (ISPs)	84.027	10169	25,872
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,423,268
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	161,184
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	<u>241,090</u>
Subtotal			<u>5,751,233</u>

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
COVID 19 Special Education: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	\$ 78,885
Preschool Grants, Part B, Sec 619	84.173	13430	116,842
Special Education: IDEA Preschool Capacity Building, Part B, Sec 619	84.173A	13839	37,377
Preschool Staff Development, Part B, Sec 619	84.173A	13431	664
Subtotal			<u>233,768</u>
Subtotal Special Education Cluster (IDEA)			<u>5,985,001</u>
Total U.S. Department of Education			<u>28,549,408</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
School Breakfast Program	10.553	13525	164,208
School Breakfast Program Severe Need	10.553	13526	2,507,090
Subtotal			<u>2,671,298</u>
School Lunch - Section 4	10.555	13523	1,736,848
School Lunch - Section 11	10.555	13524	4,819,500
Commodities	10.555	13396	745,427
Subtotal			<u>7,301,775</u>
Summer Food Service Program Operations	10.559	13004	257,463
Summer Food Service Sponsor Administration	10.559	13006	26,532
Subtotal			<u>283,995</u>
Subtotal Child Nutrition Cluster			<u>10,257,068</u>
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665	10044	77,848
Subtotal Forest Service Schools and Roads Cluster			<u>77,848</u>
Passed through California Department of Social Services			
Child Care Food Program (CCFP) Claims-Centers and Family Day Care Homes	10.558	13529	1,192,626
CCFP Cash in Lieu of Commodities	10.558	13534	88,441
Subtotal			<u>1,281,067</u>
Total U.S. Department of Agriculture			<u>11,615,983</u>
U.S. Department of Defense			
Junior Reserve Officer Training Corps	12.000	[1]	73,895
Total U.S. Department of Treasury			<u>73,895</u>
Total Federal Financial Assistance			<u>\$ 40,239,286</u>

[1] Direct funded

ORGANIZATION

The Redlands Unified School District (the District) was established in 1963. The District encompasses 147 square miles and serves the communities of Redlands, Loma Linda, Mentone, Forest Falls, and portions of San Bernardino and Highland. Current enrollment in grades K-12 is approximately 21,000. The District's 16 elementary schools serve kindergarten through fifth grade, with four middle schools serving grades six through eight. The District has three comprehensive high schools, a continuation high school, an adult education program, and alternative programs for independent and home-school study. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Melisa Ayala-Quintero	President	2024
Alex Vara	Vice President	2024
Patty Holohan	Clerk	2026
Michele Rendler	Member	2026
Jim O'Neill	Member	2024

ADMINISTRATION

Juan J. Cabral	Superintendent
Sabine Robertson-Phillips	Assistant Superintendent, Human Resources
Dr. Kenneth Wagner	Assistant Superintendent, Educational Services
Jason Hill	Assistant Superintendent, Business Services
Brian Guggisberg	Director, Fiscal Services

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

	Final Report	
	Revised Second Period Report FE8D75E2	Annual Report 9184E6CF
Regular ADA		
Transitional kindergarten through third	5,094.28	5,107.39
Fourth through sixth	4,111.18	4,108.79
Seventh and eighth	2,844.60	2,840.63
Ninth through twelfth	6,075.52	6,025.43
Total Regular ADA	18,125.58	18,082.24
Extended Year Special Education		
Transitional kindergarten through third	2.49	2.49
Fourth through sixth	1.70	1.70
Seventh and eighth	1.07	1.07
Ninth through twelfth	4.20	4.20
Total Extended Year Special Education	9.46	9.46
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.88	0.90
Fourth through sixth	1.79	1.81
Seventh and eighth	1.19	1.24
Ninth through twelfth	10.14	10.10
Total Special Education, Nonpublic, Nonsectarian Schools	14.00	14.05
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.06	0.06
Seventh and eighth	0.11	0.11
Ninth through twelfth	0.64	0.64
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.81	0.81
Total ADA	18,149.85	18,106.56

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

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Traditional Calendar				Multitrack Calendar				Status
			Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of		Number of				
					Actual Days	Days Credited Form J-13A	Actual Days	Days Credited Form J-13A	Total Days Offered		
Kindergarten	36,000	36,090	-	36,090	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		50,724	-	50,724	180	-	180	N/A	N/A	N/A	Complied
Grade 2		50,724	-	50,724	180	-	180	N/A	N/A	N/A	Complied
Grade 3		50,670	-	50,670	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		54,040	-	54,040	180	-	180	N/A	N/A	N/A	Complied
Grade 5		54,126	-	54,126	180	-	180	N/A	N/A	N/A	Complied
Grade 6		62,530	-	62,530	180	-	180	N/A	N/A	N/A	Complied
Grade 7		62,530	-	62,530	180	-	180	N/A	N/A	N/A	Complied
Grade 8		62,530	-	62,530	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		65,127	-	65,127	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,127	-	65,127	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,127	-	65,127	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,127	-	65,127	180	-	180	N/A	N/A	N/A	Complied

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2023.

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

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
General Fund				
Revenues	\$ 357,375,856	\$ 384,491,811	\$ 300,540,522	\$ 299,297,768
Other sources	-	755,141	-	1,250,001
Total revenues and other sources	<u>357,375,856</u>	<u>385,246,952</u>	<u>300,540,522</u>	<u>300,547,769</u>
Expenditures	<u>368,528,719</u>	<u>357,046,173</u>	<u>301,064,908</u>	<u>279,971,310</u>
Increase/(Decrease) in Fund Balance	<u>(11,152,863)</u>	<u>28,200,779</u>	<u>(524,386)</u>	<u>20,576,459</u>
Ending Fund Balance	<u>\$ 97,536,164</u>	<u>\$ 108,689,027</u>	<u>\$ 80,488,248</u>	<u>\$ 81,012,634</u>
Available Reserves ²	<u>\$ 27,642,195</u>	<u>\$ 10,690,000</u>	<u>\$ 12,912,495</u>	<u>\$ 28,128,754</u>
Available Reserves as a Percentage of Total Outgo	<u>7.5%</u>	<u>3.0%</u>	<u>4.3%</u>	<u>10.0%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 346,600,640</u>	<u>\$ 258,672,716</u>	<u>\$ 414,824,884</u>
K-12 Average Daily Attendance at P-2	<u>18,079</u>	<u>18,150</u>	<u>19,810</u>	<u>19,810</u>

The General Fund balance has increased by \$27,676,393 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$11,152,863 (10.3%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$68,224,244 over the past two years.

Average daily attendance has decreased by 1,660 over the past two years. A further decrease of 71 ADA is anticipated during fiscal year 2023-2024.

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

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

Redlands Unified School District

Schedule of Charter Schools

Year Ended June 30, 2023

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
The Grove School	0180	No

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

	Student Activity Fund	Adult Education Fund	Child Development Fund	Building Fund	Capital Facilities Fund
Assets					
Deposits and investments	\$ 1,962,734	\$ 189,373	\$ 260,313	\$ 142,324	\$ 4,568,166
Receivables	-	225,415	199,065	1,114	187,625
Due from other funds	-	79	2,600	-	8,320
Total assets	\$ 1,962,734	\$ 414,867	\$ 461,978	\$ 143,438	\$ 4,764,111
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 113,295	\$ 263,492	\$ -	\$ 320,628
Due to other funds	-	53,565	21,375	-	15,839
Total liabilities	-	166,860	284,867	-	336,467
Fund Balances					
Restricted	1,962,734	163,892	152,657	143,438	4,427,644
Assigned	-	84,115	24,454	-	-
Total fund balances	1,962,734	248,007	177,111	143,438	4,427,644
Total liabilities and fund balances	\$ 1,962,734	\$ 414,867	\$ 461,978	\$ 143,438	\$ 4,764,111

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

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 1,570	\$ 161,119	\$ 5,666,790	\$ 8,197,345	\$ 21,149,734
Receivables	10	1,261	7,484	-	621,974
Due from other funds	-	-	-	-	10,999
Total assets	\$ 1,580	\$ 162,380	\$ 5,674,274	\$ 8,197,345	\$ 21,782,707
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,000	\$ -	\$ 698,415
Due to other funds	1,532	-	-	-	92,311
Total liabilities	1,532	-	1,000	-	790,726
Fund Balances					
Restricted	48	162,380	5,673,274	8,197,345	20,883,412
Assigned	-	-	-	-	108,569
Total fund balances	48	162,380	5,673,274	8,197,345	20,991,981
Total liabilities and fund balances	\$ 1,580	\$ 162,380	\$ 5,674,274	\$ 8,197,345	\$ 21,782,707

Redlands Unified School District

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

Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Building Fund	Capital Facilities Fund
Revenues					
Federal sources	\$ -	\$ 229,035	\$ -	\$ -	\$ -
Other State sources	-	1,033,644	3,159	-	-
Other local sources	<u>2,053,671</u>	<u>3,747</u>	<u>956,953</u>	<u>2,458</u>	<u>914,444</u>
Total revenues	<u>2,053,671</u>	<u>1,266,426</u>	<u>960,112</u>	<u>2,458</u>	<u>914,444</u>
Expenditures					
Current					
Instruction	-	578,331	757,877	-	-
Instruction-related activities					
Supervision of instruction	-	-	70,682	-	-
School site administration	-	409,261	85,731	-	-
Pupil services					
All other pupil services	-	315,603	9,287	-	-
Plant services	-	-	1,291	-	338
Ancillary services	1,966,385	-	-	-	-
Facility acquisition and construction	-	-	-	-	2,843,187
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	<u>1,966,385</u>	<u>1,303,195</u>	<u>924,868</u>	<u>-</u>	<u>2,843,525</u>
Net Change in Fund Balances	87,286	(36,769)	35,244	2,458	(1,929,081)
Fund Balance - Beginning	<u>1,875,448</u>	<u>284,776</u>	<u>141,867</u>	<u>140,980</u>	<u>6,356,725</u>
Fund Balance - Ending	<u>\$ 1,962,734</u>	<u>\$ 248,007</u>	<u>\$ 177,111</u>	<u>\$ 143,438</u>	<u>\$ 4,427,644</u>

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

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 229,035
Other State sources	539,234	-	-	33,809	1,609,846
Other local sources	3,989	2,783	21,804	7,492,453	11,452,302
Total revenues	<u>543,223</u>	<u>2,783</u>	<u>21,804</u>	<u>7,526,262</u>	<u>13,291,183</u>
Expenditures					
Current					
Instruction	-	-	-	-	1,336,208
Instruction-related activities					
Supervision of instruction	-	-	-	-	70,682
School site administration	-	-	-	-	494,992
Pupil services					
All other pupil services	-	-	-	-	324,890
Plant services	-	-	9,880	-	11,509
Ancillary services	-	-	-	-	1,966,385
Facility acquisition and construction	543,246	-	-	-	3,386,433
Debt service					
Principal	-	-	-	5,440,000	5,440,000
Interest and other	-	-	-	2,462,506	2,462,506
Total expenditures	<u>543,246</u>	<u>-</u>	<u>9,880</u>	<u>7,902,506</u>	<u>15,493,605</u>
Net Change in Fund Balances	(23)	2,783	11,924	(376,244)	(2,202,422)
Fund Balance - Beginning	<u>71</u>	<u>159,597</u>	<u>5,661,350</u>	<u>8,573,589</u>	<u>23,194,403</u>
Fund Balance - Ending	<u>\$ 48</u>	<u>\$ 162,380</u>	<u>\$ 5,673,274</u>	<u>\$ 8,197,345</u>	<u>\$ 20,991,981</u>

Note 1 - Purpose of Scheduled

Schedule of Expenditures of Federal Awards

Basis of Presentation

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

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal assistance was provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

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

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of the Supply Chain Assistance for School Meals funds that were recorded in the current period as revenues that have not been expended as of June 30, 2023. These unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal Financial Assistance Listing	Amount
Total Federal Revenues reported on the Financial Statements		\$ 40,713,669
Supply Chain Assistance for School Meals	10.555	<u>(474,383)</u>
Total federal financial assistance		<u><u>\$ 40,239,286</u></u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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



Independent Auditor's Reports
June 30, 2023

Redlands Unified School District



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

To the Governing Board
Redlands Unified School District
Redlands, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redlands Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 15, 2023.

Purpose of this Report

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

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

Rancho Cucamonga, California
December 15, 2023



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

To the Governing Board
Redlands Unified School District
Redlands, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.



Rancho Cucamonga, California
December 15, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
Redlands Unified School District
Redlands, California

Report on Compliance

Opinion on State Compliance

We have audited Redlands Unified School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

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

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

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

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

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

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

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

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

The District was not listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 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 by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be a significant deficiency.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 15, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

Redlands Unified School District

Redlands Unified School District

Summary of Auditor's Results

Year Ended June 30, 2023

Financial Statements

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

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D
COVID-19 Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W
Child Nutrition Cluster	10.553, 10.555, 10.559
Child Care Food Program (CCFP) Claims-Centers and Family Day Care Homes	10.558
CCFP Cash in Lieu of Commodities	10.558
Dollar threshold used to distinguish between type A and type B programs	\$1,221,410
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

The following finding represents a significant deficiency of internal control and an instance of noncompliance that is required to be reported by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2023-001 40000 – After School Education and Safety Program (Significant Deficiency, Noncompliance)

Criteria or Specific Requirements

Per California *Education Code* Section 8483(a)(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy. Pupil attendance records must be maintained to verify and support the program's compliance with this requirement.

Condition

While verifying the total students served at Moore Middle School for the month of December 2022, the auditor noted instances where students were signed out early without documenting the reason for early release. Since the reason for early release was not documented, it could not be determined if the early release was consistent with the early release policy. A total of 72 students did not have a documented reason for early release.

Additionally, in reviewing Kingsbury Elementary School's and Moore Middle School's summary totals for the 1st Half: After School Base, it was noted that the student served total did not agree to the total reported to the California Department of Education. The number of students served were understated by 457 and overstated by 518, respectively.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition was identified as a result of our audit of the After School Education and Safety Program as required by the State Audit Guide. Through our review of district records, we noted the issues discussed above.

Effect

The District is not in compliance with California *Education Code* Section 8483(a)(2).

Cause

The cause of the condition appears to be a result of parents failing to record an early release code on the sign-out sheet when checking their children out of the program and site personnel being unaware of documentation retention requirements related to the program.

Additionally, there appears to be a lack of appropriate review procedures to verify that attendance information agrees to corresponding detail attendance records reported to CDE.

Repeat Finding

Yes, see prior year finding 2022-002.

Recommendation

We recommend that the District verify that all afterschool program personnel are aware of document retention requirements related to pupil attendance and continue enforcing its early release policy by communicating with parents the importance of documenting the reason for early release. In addition, prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance detail reports. An individual from the District should review and re-compute monthly attendance numbers per school site to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan and Views of Responsible Officials

The District has reviewed the issue with its third-party vendor and additional review process will be in place to ensure accurate reporting of student attendance and proper documentation is retained for early release.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of findings and questioned costs.

Financial Statements Findings

2022-001 30000 – Prior Period Restatement

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During our review of the beginning fund balance for the Cafeteria Fund, we noted that the District had identified an amount of \$635,371 in receivables that had not been properly accrued in the prior year.

Questioned Costs

There were no questioned costs associated with the condition.

Context

The condition was identified as a result of our review of the beginning fund balance in the Cafeteria Fund.

Effect

The effect of the error was a restatement of the beginning fund balance in the Cafeteria Fund in the amount of \$635,371.

Cause

The District's yearend review processes did not identify the accrual of the receivables for the Cafeteria Fund prior to finalizing the closing of the books.

Recommendation

Prior to closing the books, the District should review that the process for accruals of revenue has taken into account any budgeted and/or estimated revenue that have not yet been received to determine if additional receivables need to be reported.

Current Status

Implemented.

State Compliance Finding

2022-002 40000 - After School Education and Safety

Criteria or Specific Requirements

According to the California *Education Code* Section 8483(a)(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy. Pupil attendance records must be maintained to verify and support the program's compliance with this requirement.

Condition

While verifying the total students served at Franklin Elementary School for the month of December 2021, the auditor noted instances where students were signed out early without documenting the reason for early release. Since the reason for early release was not documented, it could not be determined if the early release was consistent with the early release policy. A total of 10 students did not have a documented reason for early release.

Additionally, in reviewing Franklin Elementary School's summary total for the 1st Half: After School Base, it was noted that the Student Served total did not agree to the total reported to the California Department of Education. The number of students served was overstated by 19.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of McKinley Elementary and Franklin Elementary Schools' attendance records and monthly attendance summary totals for the month of December 2021. The auditor selected 2 out of 10 schools for the first semi-annual reporting period dated July to December 2021. The auditor reviewed sign in/sign out records for the month of December 2021, monthly attendance summary and detail reports, and 1st Half: After School Base report submitted to the CDE.

Effect

As a result of our testing, the District was not compliant with California *Education Code* Section 8483(a)(2) for the 2021-2022 fiscal year since pupil attendance documentation was not maintained to support the total reported pupil attendance counts.

Cause

The cause of the condition appears to be a result of parents failing to record an early release code on the sign-out sheet when checking their children out of the program and site personnel at Franklin Elementary School being unaware of documentation retention requirements related to the program.

Additionally, there appears to be a lack of appropriate review procedures to verify that attendance information agrees to corresponding detail attendance records reported to CDE.

Recommendation

We recommend the District to verify that all afterschool program personnel are aware of document retention requirements related to pupil attendance and continue enforcing its early release policy by communicating with parents the importance of documenting the reason for early release. Also, prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance detail reports. An individual from the District should review and re-compute monthly attendance numbers per school site to verify that accurate information is being sent to the State for reporting.

Current Status

Not implemented, see current year finding 2023-001.

2022-003 40000 - Comprehensive School Safety Plan

Criteria or Specific Requirements

Per California *Education Code* Section 32286(a), each school site is required to annually review and update its comprehensive school safety plan by March 1.

Condition

The District did not update and review the comprehensive school safety plan for six of its eight sampled school. Additionally, during the review of the comprehensive school safety plan for Highland Grove Elementary School, the plan was adopted by the school site on March 16, 2022, with the adoption occurring after the deadline of March 1.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of inquiry with the District's management and through the review of supporting documents.

Effect

The District has not complied with requirements identified in California *Education Code* Section 32286(a), which states that each school site is required to annually review and update its comprehensive school safety plan by March 1.

Cause

The condition identified appears to have materialized primarily due to the lack of review process.

Recommendation

The District should become familiar with all the requirements identified in California *Education Code* Section 32286(a) to ensure ongoing compliance with the requirement. The District must update and review the comprehensive school safety plan by March 1.

Current Status

Implemented.



Management
Redlands Unified School District
Redlands, California

In planning and performing our audit of the financial statements of Redlands Unified School District (the District) for the year ended June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2023, on the government-wide financial statements of the District.

Associated Student Body (ASB)

Cope Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that two cash receipts tested were not deposited in a timely manner. The delay in deposits were between 49 to 78 days from the dates of receipt. The two deposits consisted of fundraiser monies that could not be traced to itemized sales log documentation documenting the amount of items sold and price per item. In addition, the receipts lacked evidence of a simultaneous dual cash count.
2. Based on inquiry with the site's personnel, inventory counts are not regularly performed or documented and maintained by the school site.

Recommendations

1. The ASB should, at minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site. In addition, at least two personnel should be present to simultaneously count cash to safeguard the cash received.
2. Inventory counts should be performed regularly and documentation should be maintained by the school site to safeguard ASB assets.

Redlands Senior High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that 13 of the 40 cash receipts were not deposited in a timely manner. The delay in deposits were between 13 to 20 days from the dates of receipt. In addition, it was noted that two of the 40 receipts lacked evidence of a simultaneous dual cash count.
2. Based on the review of the cash disbursement procedures, it was noted that one of the 25 tested disbursements was not approved prior to the transactions taking place.

Recommendations

1. The ASB should, at minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site. In addition, at least two personnel should be present to simultaneously count cash to safeguard the cash received.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if proposed activities are appropriate and to determine if sufficient funding is available to finance activities or the purchases.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2023