CAPISTRANO UNIFIED SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2020

NIGRO & NIGRO PC

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

FINDINGS AND QUESTIONED COSTS

Financial Section

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capistrano Unified School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the 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 Capistrano Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

Other Matters

Required Supplementary Information

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

Other 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 74 to 77 and the schedule of expenditures of federal awards on page 78 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 73 and 79 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 6, 2021, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
January 6, 2021

This discussion and analysis of Capistrano Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $30.7 million, or 8.9%.
- Governmental expenses were about $558.6 million. Revenues were about $527.8 million.
- The District acquired over $31.8 million in new capital assets during the year.
- The District decreased its outstanding long-term debt other than pensions by $13.7 million. This was primarily due to paying down bonds, the SERP, and a reduction of the OPEB liability.
- Grades K-12 average daily attendance (ADA) decreased by 661, or 1.5%.
- Governmental funds decreased by $29.2 million, or 18.1%.
- Reserves for the General Fund decreased by $239,815 or 0.5%. Revenues were $519.8 million and expenditures were $525.9 million.

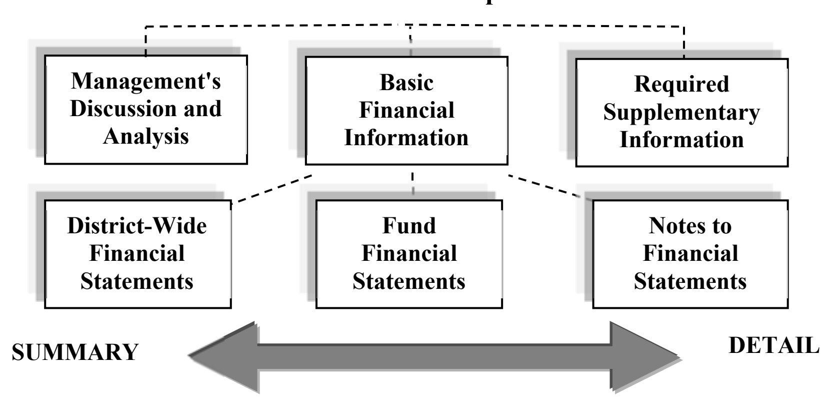
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

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



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has three kinds of funds:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims, health and welfare benefits, and property and liability claims.

3) ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and CFD Debt Service. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2020, than it was the year before – decreasing 8.9% to $313.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2020	**2019**	**Net Change**
Assets			
Current assets	$ 186,508,402	$ 213,987,012	$ (27,478,610)
Capital assets	791,379,320	780,141,476	11,237,844
Total assets	977,887,722	994,128,488	(16,240,766)
Deferred outflows of resources	130,304,596	131,938,535	(1,633,939)
Liabilities			
Current liabilities	28,746,071	31,016,463	(2,270,392)
Long-term liabilities	197,605,092	211,348,103	(13,743,011)
Net pension liability	500,334,962	508,751,769	(8,416,807)
Total liabilities	726,686,125	751,116,335	(24,430,210)
Deferred inflows of resources	67,790,273	30,514,458	37,275,815
Net position			
Net investment in capital assets	744,081,811	737,192,645	6,889,166
Restricted	67,661,970	78,102,497	(10,440,527)
Unrestricted	(498,027,861)	(470,858,912)	(27,168,949)
Total net position	$ 313,715,920	$ 344,436,230	$ (30,720,310)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 1.0% to $527.8 million (See Table A-2). The increase is due primarily to increased operating grants and contributions.

The total cost of all programs and services increased 6.8% to $558.6 million. The District's expenses are predominantly related to educating and caring for students, 85.1%. The purely administrative activities of the District accounted for just 4.8% of total costs. A significant contributor to the increase in costs was negotiated salary increases, step and column increases, and increased pension contributions.

Table A-2: Statement of Activities

	Governmental Activities		
	2020	**2019**	**Net Change**
Revenues			
Program Revenues:			
Charges for services	$ 6,028,185	$ 8,173,455	$ (2,145,270)
Operating grants and contributions	68,465,399	55,370,891	13,094,508
General Revenues:			
Property taxes	370,192,741	368,299,820	1,892,921
Federal and state aid not restricted	69,833,953	71,953,562	(2,119,609)
Other general revenues	13,328,728	18,679,051	(5,350,323)
Total Revenues	527,849,006	522,476,779	5,372,227
Expenses			
Instruction-related	416,422,505	375,872,849	40,549,656
Pupil services	58,841,341	55,927,863	2,913,478
Administration	26,822,464	24,474,128	2,348,336
Plant services	44,462,858	48,228,094	(3,765,236)
All other activities	12,020,148	18,554,994	(6,534,846)
Total Expenses	558,569,316	523,057,928	35,511,388
Increase (decrease) in net position	$ (30,720,310)	$ (581,149)	$ (30,139,161)
Total Net Position	$ 313,715,920	$ 344,436,230	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $132.3 million, which is below last year's ending fund balance of $161.5 million. The primary cause of the decreased fund balance is the expenditure of capital outlay funds.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
Fund					
General Fund	$ 88,244,731	$ 519,808,741	$ 525,880,424	$ -	$ 82,173,048
Child Development Fund	789,773	5,438,985	5,750,287	-	478,471
Cafeteria Fund	3,855,184	9,606,148	11,861,097	-	1,600,235
Deferred Maintenance Fund	2,708,815	3,035,122	4,174,593	-	1,569,344
Special Reserve Fund (Postemployment Benefits)	82,615	1,565	-	-	84,180
Capital Facilities Fund	5,101,048	1,128,355	1,555,291	394,286	5,068,398
Special Reserve Fund (Capital Outlay)	39,887,001	3,480,209	16,690,389	-	26,676,821
Capital Projects Fund for Blended Component Units	15,946,090	2,244,452	8,447,138	-	9,743,404
Bond Interest and Redemption Fund	4,902,621	5,113,630	5,068,077	-	4,948,174
	$ 161,517,878	$ 549,857,207	$ 579,427,296	$ 394,286	$ 132,342,075

General Fund Budgetary Highlights

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

- Revenues – increased by $9.15 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $8.57 million to reflect revised cost estimates.
- Other non-personnel expenses – decreased $7.04 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $12.6 million, the actual results for the year show that expenditures exceeded revenues by roughly $6.1 million. Actual revenues were $4.0 million more than anticipated, and expenditures were $2.5 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget, offset by STRS on-behalf contributions from the State that were not budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had acquired $31.8 million in new capital assets, related to land, construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $20.6 million.

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

	Governmental Activities		
	2020	**2019**	**Net Change**
Land	$ 320,638,330	$ 319,938,330	$ 700,000
Improvement of sites	14,799,237	16,575,387	(1,776,150)
Buildings	365,477,816	336,401,517	29,076,299
Equipment	10,949,975	10,386,581	563,394
Construction in progress	79,513,962	96,839,661	(17,325,699)
Total	$ 791,379,320	$ 780,141,476	$ 11,237,844

Long-Term Debt

At year-end the District had $197.6 million in long-term liabilities other than pensions– a decrease of 6.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		
	2020	**2019**	**Net Change**
General obligation bonds	$ 30,016,038	$ 33,935,843	$ (3,919,805)
Certificates of participation	27,129,407	28,931,113	(1,801,706)
Capital lease obligations	773,087	869,873	(96,786)
Compensated absences	4,352,134	3,820,432	531,702
Supplemental early retirement plan	9,715,646	12,954,194	(3,238,548)
Claims liability	15,335,373	14,508,474	826,899
Other postemployment benefits	110,283,407	116,328,174	(6,044,767)
Total	$ 197,605,092	$ 211,348,103	$ (13,743,011)

Net pension liability decreased during the year by $8.4 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature passed a final budget package on June 26, 2020. The final budget package assumed that $2 billion in federal funds would be forthcoming and took the Governor's approach in the May Revision to make other spending reductions contingent on other federal money. In addition, relative to the June 15 initial package, the final package made several changes, including increasing school deferrals by $3.5 billion (assuming no federal money is forthcoming), increasing revenue assumptions by more than $1 billion, and eliminating the plan to reinstate General Fund payment deferrals. The Governor signed the 2020-21 Budget Act and related budget legislation on June 29, 2020.

Proposition 98

Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges
This minimum funding requirement is commonly called the minimum guarantee. The state calculates the minimum guarantee by comparing three main formulas or "tests". Each test takes into account certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

Minimum Funding Requirement Down Significantly in 2019-20 and 2020-21
Estimates of the minimum guarantee under the June 2020 budget plan have dropped significantly compared with June 2019 estimates. For 2019-20, the minimum requirement is down $3.4 billion (4.2 percent). For 2020-21, the minimum requirement is down $6.8 billion (8.7 percent) from the revised 2019-20 level and $10.2 billion (12.5 percent) from the 2019-20 level estimated in June 2019. These drops mainly reflect reductions in state General Fund revenue. Test 1 remains operative in both years, with the drop in the General Fund portion of the guarantee equal to nearly 40 percent of the drop in revenues. The local property tax portion of the guarantee, by contrast, grows slowly from 2019-20 to 2020-21.

Budget Plan Implements Significant Payment Deferrals
In both 2019-20 and 2020-21, the budget plan reduces school and community college funding to the lower minimum requirement. It implements these reductions primarily by deferring $12.5 billion in payments. (When the state defers payments from one fiscal year to the next, the state can reduce spending while allowing school districts to maintain programs by borrowing or using cash reserves.) Of the $12.5 billion, $11 billion applies to K-12 schools and $1.5 billion applies to community colleges. Although the budget plan authorized the Department of Finance to rescind up to $6.6 billion of the deferrals if the state received additional federal funding by October 15, 2020, Congress did not approve any additional funds prior to this deadline.

Makes a Few Other Spending Adjustments
In addition to the deferrals, the budget plan makes a few other adjustments to school and community college funding. Most notably, it does not provide the 2.31 percent statutory cost-of-living adjustment for school and community college programs in 2020-21. The budget plan also uses $833 million in one-time funds to cover costs for the K-12 Local Control Funding Formula (LCFF) and community college apportionments in 2019-20 and 2020-21. These one-time funds consist of $426 million in unspent prior-year funds and a $407 million settle-up payment. In addition, the budget plan withdraws the entire $377 million the state deposited into the Proposition 98 Reserve in the fall of 2019. (Formulas in the State Constitution govern Proposition 98 Reserve deposits and withdrawals.) Finally, the budget plan obtains $240 million in savings ($110 million in 2019-20 and $130 million in 2020-21) from eliminating unallocated State Preschool slots.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Creates Supplemental Obligation to Increase Funding Beginning in 2021-22
This obligation has two parts. First, it requires the state to make temporary payments on top of the Proposition 98 guarantee beginning in 2021-22. Each payment will equal 1.5 percent of annual General Fund revenue. The state can allocate these payments for any school or community college purpose. Payments will continue until the state has paid $12.4 billion—the amount of funding schools and community colleges could have received under Proposition 98 if state revenues had continued to grow. (Technically, the obligation equals the total difference between the Test 1 and Test 2 funding levels in 2019-20 and 2020-21.) Second, the obligation requires the state to increase the minimum share of General Fund revenue allocated to schools and community colleges from 38 percent to 40 percent on an ongoing basis. This increase is set to phase in over the 2022-23 and 2023-24 fiscal years.

K-12 Education

Proposition 98 Funding Decreases 12 Percent
The budget package includes $62.5 billion in Proposition 98 funding for K-12 education in 2020-21—$8.7 billion (12.2 percent) less than the 2019-20 Budget Act level.

Defers $11 Billion in K-12 Payments, Allows Exemptions in Limited Circumstances
The state distributes funding for LCFF and special education following a monthly payment schedule established in law. The budget plan modifies this schedule in 2019-20 to defer $1.9 billion in payments to the following fiscal year. In 2020-21, the budget plan maintains these deferrals and adopts $9.1 billion in additional deferrals. Under the modified schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about 16 percent of all state and local funding schools receive for LCFF and special education, or 24 percent of the General Fund allocated for these programs. If a district or charter school can demonstrate it would be unable to meet its financial obligations because of the deferrals, and has exhausted all other sources of internal and external borrowing, it can apply for an exemption. The law allows the Department of Finance, State Controller, and State Treasurer to authorize up to $300 million in deferral exemptions per month. If these exemption requests exceed the funding available, the earliest applications will be approved first.

Addresses Historically Low-Funded Special Education Regions
Most state special education funding is provided to Special Education Local Plan Areas (SELPAs) based on total student attendance within the area. (Most SELPAs are regional collaborations of neighboring districts, county offices of education [COEs], and charter schools, though some consist of only a single large district.) Each SELPA receives a unique per-student rate linked to certain historical factors. In 2019-20, these per-student rates varied from $557 to more than $900. The budget provides $545 million to bring low-funded SELPAs to a new rate of $625 per student. This rate is roughly equivalent to the 93rd percentile of current rates.

Allocates $6.4 Billion in One-Time Federal Funding
The budget package allocates $6.4 billion in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for K-12 education. The majority of funding ($4.8 billion) is provided for learning loss mitigation. The budget also includes $1.5 billion that can be used for a variety of activities and is distributed based on counts of low-income and disadvantaged children. The remaining funds are used to provide higher reimbursement rates for some school meals, create a competitive grant program for implementing the community schools model, and cover state costs of allocating and overseeing how CARES Act funds are spent.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Funds Learning Loss Mitigation Activities
The budget package provides $5.3 billion in one-time funding for activities mitigating learning loss due to coronavirus disease 2019 (COVID-19) school closures. This amount consists of $4.4 billion from the federal Coronavirus Relief Fund, $540 million Proposition 98 General Fund, and $355 million from the federal Governor's Emergency Education Relief Fund. Allocations from the Coronavirus Relief Fund can be used to cover eligible costs incurred between March 1, 2020 and December 30, 2020, while the remainder of the funding covers costs incurred between March 13, 2020 and September 30, 2022. Allowable activities include expanding learning supports, increasing instructional time, offering additional academic services (such as diagnostic assessments and devices and connectivity for distance learning), and addressing other barriers to learning (such as mental health services, professional development for teachers and parents, and student meals). Of this funding, $2.9 billion is to be allocated based on LCFF supplemental and concentration grants, $1.5 billion based on the number of students with disabilities, and $980 million based on total LCFF allocation.

Funds Schools Based on 2019-20 Attendance Levels, Allows Growth Under Certain Conditions
For funding purposes, the state ordinarily credits school districts with their average daily attendance in the current or prior year, whichever is higher. Charter schools and COEs are funded according to their attendance in the current year only. In 2020-21, however, the state will not collect average daily attendance data. Instead, districts, charter schools, and COEs will be funded according to their 2019-20 attendance levels unless they had previously budgeted for attendance growth. Any attendance growth for a district or charter school is limited to the lower of its (1) previously projected increase in enrollment or attendance, as documented in its budget, or (2) actual increase in enrollment from October 2019 to October 2020. (For this calculation, enrollment numbers are converted to an equivalent amount of average daily attendance by adjusting them for the statewide average absence rate.) The trailer legislation also allows a few other attendance-related adjustments. Most notably, if a charter school closes during the 2020-21 school year, the attendance it previously generated will be credited to its sponsoring school district.

Modifies Instructional Requirements to Allow for Distance Learning
The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning. Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

Includes Additional Fiscal Flexibility in a Few Areas
Budget trailer legislation includes several changes to provide more spending flexibility for school districts:

- For the purposes of calculating minimum routine maintenance deposits, excludes one-time funding for state pension payments on behalf of school districts, learning loss mitigation funds, and federal Elementary and Secondary School Emergency Relief funds. Typically, school districts receiving funding from the state's School Facility Program are required to establish a restricted account for routine maintenance of school facilities and deposit 3 percent of the district's annual expenditures.

- Allows for proceeds from the sale or lease of surplus property purchased entirely with local funds to be used for one-time general fund purposes through 2023-24.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Includes Additional Fiscal Flexibility in a Few Areas (continued)

- For the purpose of spending restricted lottery revenues, permanently expands the definition of instructional materials to also include laptop computers and devices that provide internet access. Schools and community colleges receive about $450 million in lottery revenues annually that must be spent on instructional materials.

- Allows the California Department of Education (CDE) to waive several programmatic requirements for the After School Education and Safety program.

Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years
School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included $2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, $1.6 billion was for the California State Teachers' Retirement System and $660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.) At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Capistrano Unified School District budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact those listed below at Capistrano Unified School District, 33122 Valle Road, San Juan Capistrano, California 92675:

Clark Hampton, Deputy Superintendent, Business and Support Services, 949-234-9211, cdhampton@ capousd.org and Philippa Townsend, Assistant Superintendent, Fiscal Services, 949-234-9316, pktownsend@ capousd.org.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

		Governmental Activities
ASSETS		
Deposits and investments	$	146,035,587
Accounts receivable		40,084,935
Prepaid expenses		19,175
Inventories		368,705
Capital assets:		
Non-depreciable capital assets		400,152,292
Depreciable capital assets		808,539,596
Less accumulated depreciation		(417,312,568)
Total assets		977,887,722
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding		537,815
Deferred outflows related to OPEB		1,684,604
Deferred outflows related to pensions		128,082,177
Total deferred outflows of resources		130,304,596
LIABILITIES		
Accounts payable		25,954,869
Unearned revenue		2,791,202
Long-term liabilities other than pensions:		
Portion due or payable within one year		10,154,319
Portion due or payable after one year		187,450,773
Net pension liability		500,334,962
Total liabilities		726,686,125
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB		6,741,674
Deferred inflows related to pensions		61,048,599
Total deferred inflows of resources		67,790,273
NET POSITION		
Net investment in capital assets		744,081,811
Restricted for:		
Capital projects		40,291,412
Debt service		4,948,174
Self-insurance programs		10,526,490
Categorical programs		11,895,894
Unrestricted		(498,027,861)
Total net position	$	313,715,920

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

		Program Revenues		Net Revenue (Expense) and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction	$ 361,343,753	$ 207,869	$ 47,068,154	$ (314,067,730)
Instruction-Related Services:				
Supervision of instruction	14,976,877	61,602	3,842,324	(11,072,951)
Instructional library, media and technology	3,011,898	-	141,240	(2,870,658)
School site administration	37,089,977	45,190	603,390	(36,441,397)
Pupil Support Services:				
Home-to-school transportation	12,974,221	-	57,333	(12,916,888)
Food services	11,723,078	3,489,574	5,665,979	(2,567,525)
All other pupil services	34,144,042	34,604	4,832,683	(29,276,755)
General Administration Services:				
Data processing services	11,023,808	10,788	407,510	(10,605,510)
Other general administration	15,798,656	41,700	2,155,499	(13,601,457)
Plant services	44,462,858	1,173,112	1,459,644	(41,830,102)
Ancillary services	3,588,589	-	(103,865)	(3,692,454)
Community services	482	-	-	(482)
Interest on long-term debt	2,065,378	-	-	(2,065,378)
Other outgo	6,365,699	963,746	2,335,508	(3,066,445)
Total Governmental Activities	$ 558,569,316	$ 6,028,185	$ 68,465,399	(484,075,732)

General Revenues:	
Property taxes	370,192,741
Federal and state aid not restricted to specific purpose	69,833,953
Interest and investment earnings	2,935,279
Interagency revenues	150,442
Miscellaneous	10,243,007
Subtotal general revenues	453,355,422
Change in net position	(30,720,310)
Net position - July 1, 2019	344,436,230
Net position - June 30, 2020	$ 313,715,920

CAPISTRANO UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 69,428,813	$ 28,139,021	$ 22,900,453	$ 120,468,287
Accounts receivable	37,903,322	49,373	1,635,173	39,587,868
Due from other funds	265,871	-	60,843	326,714
Stores inventories	88,421	-	280,284	368,705
Prepaid expenditures	19,175	-	-	19,175
Total Assets	$ 107,705,602	$ 28,188,394	$ 24,876,753	$ 160,770,749
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 21,932,634	$ 1,511,573	$ 1,716,618	$ 25,160,825
Due to other funds	206,493	-	270,154	476,647
Unearned revenue	1,739,903	-	1,051,299	2,791,202
Total Liabilities	23,879,030	1,511,573	3,038,071	28,428,674
Fund Balances				
Nonspendable	282,596	-	293,034	575,630
Restricted	9,817,188	25,030,701	21,545,648	56,393,537
Assigned	23,101,219	1,646,120	-	24,747,339
Unassigned	50,625,569	-	-	50,625,569
Total Fund Balances	83,826,572	26,676,821	21,838,682	132,342,075
Total Liabilities and Fund Balances	$ 107,705,602	$ 28,188,394	$ 24,876,753	$ 160,770,749

Total fund balances - governmental funds			$ 132,342,075
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost:	1,208,691,888	
	Accumulated depreciation:	(417,312,568)	
	Net:		791,379,320
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(441,607)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow. The remaining deferred amounts on refunding at the end of the period were:			537,815
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	30,016,038	
	Certificates of participation payable	27,129,407	
	Capital leases payable	773,087	
	Compensated absences payable	4,352,134	
	Supplemental early retirement plan	9,715,646	
	Other postemployment benefits	110,283,407	
	Total		(182,269,719)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(500,334,962)
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. Deferred outflows and inflows relating to OPEB for the period were:			
	Deferred outflows of resources	1,684,604	
	Deferred inflows of resources	(6,741,674)	
	Total		(5,057,070)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred inflows and outflows relating to pensions for the			
	Deferred outflows of resources	128,082,177	
	Deferred inflows of resources	(61,048,599)	
	Total		67,033,578
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:			10,526,490
Total net position - governmental activities			$ 313,715,920

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 417,961,436	$ -	$ -	$ 417,961,436
Federal sources	16,372,126	-	5,664,515	22,036,641
Other state sources	76,133,499	-	3,803,392	79,936,891
Other local sources	12,378,367	3,480,209	14,063,663	29,922,239
Total Revenues	522,845,428	3,480,209	23,531,570	549,857,207
EXPENDITURES				
Current:				
Instruction	345,762,017	-	3,718,270	349,480,287
Instruction-Related Services:				
Supervision of instruction	14,174,610	-	819,641	14,994,251
Instructional library, media and technology	2,512,324	-	-	2,512,324
School site administration	36,193,118	-	611,748	36,804,866
Pupil Support Services:				
Home-to-school transportation	11,700,744	-	-	11,700,744
Food services	22,931	-	10,877,243	10,900,174
All other pupil services	33,304,900	-	293,355	33,598,255
Ancillary services	3,790,366	-	-	3,790,366
Community services	482	-	-	482
General Administration Services:				
Data processing services	10,516,786	-	-	10,516,786
Other general administration	14,806,737	-	654,498	15,461,235
Transfers of indirect costs	(469,597)	-	469,597	-
Plant services	43,810,937	-	60,000	43,870,937
Capital outlay	4,359,840	15,344,474	8,627,115	28,331,429
Intergovernmental transfers	8,143,079	1,345	1,482,345	9,626,769
Debt service:				
Principal	691,786	1,185,000	2,822,868	4,699,654
Interest	733,957	159,570	2,245,210	3,138,737
Total Expenditures	530,055,017	16,690,389	32,681,890	579,427,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,209,589)	(13,210,180)	(9,150,320)	(29,570,089)
OTHER FINANCING SOURCES (USES)				
All other financing sources	-	-	394,286	394,286
Total Other Financing Sources and Uses	-	-	394,286	394,286
Net Change in Fund Balances	(7,209,589)	(13,210,180)	(8,756,034)	(29,175,803)
Fund Balances, July 1, 2019	91,036,161	39,887,001	30,594,716	161,517,878
Fund Balances, June 30, 2020	$ 83,826,572	$ 26,676,821	$ 21,838,682	$ 132,342,075

CAPISTRANO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental funds			$ (29,175,803)
Amounts reported for governmental *activities* in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:			
	Expenditures for capital outlay	31,833,365	
	Depreciation expense	(20,595,521)	11,237,844
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			4,699,654
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was:			(89,586)
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was:			822,854
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums or discount for the period was:			295,789
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(109,132)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			(531,702)
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, including early retirement incentives. This year, expenses incurred for such obligations were:			3,238,548
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(23,315,852)
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was:			(1,042,740)
The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.			3,249,816
Change in net position of governmental activities			$ (30,720,310)

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities	
	Internal Service Funds	
ASSETS		
Curret Assets		
Deposits and investments	$	25,567,300
Accounts receivable		497,067
Due from other funds		150,396
Total Assets		26,214,763
LIABILITIES		
Current Liabilities		
Accrued liabilities		352,437
Due to other funds		463
Total current liabilities		352,900
Non-Current Liabilities		
Claims liability		15,335,373
Total Liabilities		15,688,273
NET POSITION		
Restricted	$	10,526,490

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges to other funds	$ 68,509,753
All other fees and contracts	25,307
Other local revenues	72
Total operating revenues	68,535,132
OPERATING EXPENSES	
Salaries and benefits	536,200
Supplies and materials	5,190
Services and other operating expenses	65,169,698
Total operating expenses	65,711,088
Operating Income (Loss)	2,824,044
NON-OPERATING REVENUES	
Interest income	425,772
Change in net position	3,249,816
Net position, July 1, 2019	7,276,674
Net position, June 30, 2020	$ 10,526,490

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 68,655,358
Cash received from all other sources	25,307
Cash payments for payroll, insurance and operating costs	(65,232,395)
Net cash provided (used) by operating activities	3,448,270
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	440,789
Net increase (decrease) in cash and cash equivalents	3,889,059
Cash, July 1, 2019	21,678,241
Cash, June 30, 2020	$ 25,567,300
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 2,824,044
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,732)
(Increase) decrease in due from other funds	148,265
Increase (decrease) in accounts payable	(50,917)
Increase (decrease) in due to other funds	(297,289)
Increase (decrease) in claims liability	826,899
Net cash provided (used) by operating activities	$ 3,448,270

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2020

	Agency Funds		
	Student Body Funds	Debt Service Fund for Blended Component Units	Totals
Assets			
Deposits and investments	$ 5,034,201	$ 21,367,480	$ 26,401,681
Accounts receivable	-	61	61
Total Assets	$ 5,034,201	$ 21,367,541	$ 26,401,742
Liabilities			
Accounts payable	$ 6,765	$ -	$ 6,765
Due to bondholders	-	21,367,541	21,367,541
Due to student groups	5,027,436	-	5,027,436
Total Liabilities	$ 5,034,201	$ 21,367,541	$ 26,401,742

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The Capistrano USD Financing Authority (the "Authority") and Capistrano USD Financing Corporation (the "Corporation") financial activity are presented in the financial statements as the Debt Service Fund. Certificates of participation and other debt issued by the Authority and the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Authority or the Corporation.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

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

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

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund and a Special Reserve Fund for Postemployment Benefits. These funds do not meet the definition of special revenue funds as they are not primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

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

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

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

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

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

Capital Projects Fund for Blended Component Units: This fund is 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: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

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

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Proprietary Funds (continued)

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

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

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)
The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Cash Equivalents

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

2. Inventories

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

3. Capital Assets

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

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

Description	Estimated Lives
Buildings	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	5-20 years

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

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

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

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

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

The District's minimum reserve standard is 2% as per the recommended level for districts with more than 30,000 ADA (California Department of Education) or not less than two months of General Fund operating expenditures, or up to 17% of General Fund expenditures and other financing uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

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

G. Property Tax Calendar

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

H. Use of Estimates

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

I. New GASB Pronouncement

In May 2020, the GASB issued Statement No. 95. The primary objective of this Statement is to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncement (continued)
The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

J. Future Accounting Pronouncements
GASB pronouncements which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

   This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

   The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period.

   This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. (continued)
   As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

   This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

   For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

   This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

   Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

   This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

   - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
   - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
   - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
   - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)

   - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
   - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
   - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
   - Terminology used to refer to derivative instruments

   The requirements of this Statement are effective as follows:

   - The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
   - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
   - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
   - The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

   Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

   Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

   The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

7. (continued)

   - Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
   - Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
   - Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
   - Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
   - Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
   - Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended

   Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

   The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

8. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

   This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

8. (continued)
This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Governmental funds	$ 120,468,287
Proprietary funds	25,567,300
Governmental Activities	146,035,587
Fiduciary funds	26,401,681
Total deposits and investments	$ 172,437,268

Deposits and investments as of June 30, 2020 consist of the following:

Cash on hand and in banks	$ 5,073,700
Cash in revolving fund	867,750
Investments	166,495,818
Total deposits and investments	$ 172,437,268

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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

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

As of June 30, 2020, $5,228,310 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2020, consist of the following:

			Maturity		
	Rating	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:					
U.S. Bank First American Treasury Obligations	AA	$ 32,714,898	$ 32,714,898	$ -	Level 2
County Pool	N/A	133,780,920	133,780,920	-	Uncategorized
Total Investments		$ 166,495,818	$ 166,495,818	$ -	

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2020, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District had the following investments that represents more than five percent of the District's net investments, other than the County Pool.

First America Treasury Obligations	
U.S. Bank First American Treasury Obligations	100%

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

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

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

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020, consisted of the following:

	Governmental Activities					
	General Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Funds	Fiduciary Funds
Federal Government:						
Categorical aid programs	$ 10,189,118	$ -	$ 445,707	$ 10,634,825	$ -	$ -
State Government:						
LCFF Sources	16,110,338	-	-	16,110,338	-	-
Special Education	3,882,334	-	-	3,882,334	-	-
Lottery	2,363,196	-	-	2,363,196	-	-
Categorical aid programs	652,088	-	804,578	1,456,666	-	-
Local:						
Interest	174,330	26,012	17,624	217,966	27,393	61
Other local	4,531,918	23,361	367,264	4,922,543	469,674	-
Total	$ 37,903,322	$ 49,373	$ 1,635,173	$ 39,587,868	$ 497,067	$ 61

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds
Balances due to/from other funds at June 30, 2020, consisted of the following:

	Due From Other Funds			
	General Fund	Non-Major Governmental Funds	Self-Insurance Fund	Total
General Fund	$ -	$ 60,843	$ 145,650	$ 206,493
Non-Major Governmental Funds	265,408	-	4,746	270,154
Self-Insurance Fund	463	-	-	463
Total	$ 265,871	$ 60,843	$ 150,396	$ 477,110

Due to General Fund from Child Development Fund for indirect costs	$ 213,280
Due to General Fund from Child Development Fund for healthcare benefits	476
Due to General Fund from Child Development Fund for OPEB liabilities	2,002
Due to General Fund from Child Development Fund to recategorize due to other funds	3,671
Due to General Fund from Cafeteria Fund for fuel, labor, and indirect costs	37,997
Due to General Fund from Cafeteria Fund for healthcare benefits	821
Due to General Fund from Cafeteria Fund for OPEB liabilities	3,139
Due to General Fund from Cafeteria Fund to recategorize due to other funds	3,615
Due to General Fund from Capital Facilities Fund for miscellaneous costs	407
Due to General Fund from Self-Insurance Fund for OPEB liabilities	463
Due to Child Development Fund from General Fund for miscellaneous costs	41,421
Due to Cafeteria Fund from General Fund for outstanding lunch debt and catering	19,422
Due to Self-Insurance Fund from General Fund for workers' compensation benefits	64,960
Due to Self-Insurance Fund from General Fund for healthcare benefits	80,690
Due to Self-Insurance Fund from Child Development Fund for workers' compensation benefits	1,720
Due to Self-Insurance Fund from Cafeteria Fund for workers' compensation benefits	2,677
Due to Self-Insurance Fund from Capital Facilities Fund for workers' compensation benefits	349
	$ 477,110

NOTE 5 – FUND BALANCES

At June 30, 2020, fund balances of the District's governmental funds were classified as follows:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 175,000	$ -	$ 12,750	$ 187,750
Stores inventories	88,421	-	280,284	368,705
Prepaid expenditures	19,175	-	-	19,175
Total Nonspendable	282,596	-	293,034	575,630
Restricted:				
Categorical programs	9,817,188	-	478,471	10,295,659
Child nutrition program	-	-	1,307,201	1,307,201
Capital projects	-	25,030,701	14,811,802	39,842,503
Debt service	-	-	4,948,174	4,948,174
Total Restricted	9,817,188	25,030,701	21,545,648	56,393,537
Assigned:				
Unrestricted funds	14,180,535	-	-	14,180,535
Technology refresh	131,877	-	-	131,877
LCFF supplemental carryover	557,928	-	-	557,928
Library abatement carryover	158,596	-	-	158,596
Teacher development carryover	566,613	-	-	566,613
Site supply carrover	1,238,423	-	-	1,238,423
Ed division carryover	2,769,083	-	-	2,769,083
Gift carryover	1,844,640	-	-	1,844,640
Deferred maintenance program	1,569,344	-	-	1,569,344
Other assignments	84,180	1,646,120	-	1,730,300
Total Assigned	23,101,219	1,646,120	-	24,747,339
Unassigned:				
Reserve for economic uncertainties	10,500,000	-	-	10,500,000
Remaining unassigned balances	40,125,569	-	-	40,125,569
Total Unassigned	50,625,569	-	-	50,625,569
Total	$ 83,826,572	$ 26,676,821	$ 21,838,682	$ 132,342,075

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Deletions	Balance, June 30, 2020
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 319,938,330	$ 700,000	$ -	$ 320,638,330
Construction in progress	96,839,661	29,067,067	46,392,766	79,513,962
Total capital assets not being depreciated	416,777,991	29,767,067	46,392,766	400,152,292
Capital assets being depreciated				
Site improvements	41,985,466	340,130	-	42,325,596
Buildings	679,553,818	46,253,122	-	725,806,940
Furniture and equipment	38,541,248	1,865,812	-	40,407,060
Total capital assets being depreciated	760,080,532	48,459,064	-	808,539,596
Less accumulated depreciation:				
Site improvements	(25,410,079)	(2,116,280)	-	(27,526,359)
Buildings	(343,152,301)	(17,176,823)	-	(360,329,124)
Furniture and equipment	(28,154,667)	(1,302,418)	-	(29,457,085)
Total accumulated depreciation	(396,717,047)	(20,595,521)	-	(417,312,568)
Governmental Activities Capital Assets, net	$ 780,141,476	$ 57,630,610	$ 46,392,766	$ 791,379,320

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	$ 19,256,812
Home-to-school transportation	514,888
Data processing	205,955
Plant services	617,866
Total	$ 20,595,521

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the fiscal year ended June 30, 2020, were as follows:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 21,748,753	$ -	$ 2,822,868	$ 18,925,885	$ 2,912,489
Accreted interest component	10,245,666	843,456	1,666,310	9,422,812	1,757,511
Unamortized issuance premium	1,941,424	-	274,083	1,667,341	274,084
Total - Bonds	33,935,843	843,456	4,763,261	30,016,038	4,944,084
Certificates of Participation:					
Principal repayments- 2012 Certificates	7,635,000	-	1,185,000	6,450,000	1,205,000
Principal repayments- 2017 Certificates	21,155,000	-	595,000	20,560,000	645,000
Unamortized issuance premium	141,113	-	21,706	119,407	21,706
Total - Certificates of participation	28,931,113	-	1,801,706	27,129,407	1,871,706
Capital Lease Obligations	869,873	-	96,786	773,087	99,980
Compensated Absences	3,820,432	531,702	-	4,352,134	-
Supplemental Early Retirement Plan	12,954,194	-	3,238,548	9,715,646	3,238,549
Claims Liability	14,508,474	826,899	-	15,335,373	-
Other Postemployment Benefits	116,328,174	8,293,823	14,338,590	110,283,407	-
Totals	$ 211,348,103	$ 10,495,880	$ 24,238,891	$ 197,605,092	$ 10,154,319

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the Certificates of Participation are made by the Special Reserve Fund for Capital Outlay. Capital leases are paid by the General Fund. The compensated absences and OPEB will be paid by the fund for which the employee worked. The supplemental early retirement plan will be paid from the General Fund. The claims liability will be paid by the Internal Service Fund.

A. General Obligation Bonds

1999 General Obligation Bonds, Series B

In February 2001, the Capistrano Unified School District issued both current and capital appreciation, 1999 General Obligation Bonds, Series B in the amount of $29,999,930, with the value of the capital appreciation bonds accreting $22,550,070, and an aggregate debt service balance of $52,550,000. The bonds have a final maturity occurring on August 1, 2025, with interest rates ranging from 4.00 to 5.10 percent. The bonds were issued for the acquisition, construction, and repair of schools.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, none of the defeased bonds remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2020, deferred amounts on refunding were $293,090.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

Below is a schedule of bonds issued and outstanding as of June 30, 2020.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Issuances	Redemptions	Balance, June 30, 2020
1999, Series B	3/14/2001	8/1/2025	4.0% - 5.1%	$ 29,999,930	$ 6,368,753	$ -	$ 1,007,868	$ 5,360,885
2012 Ref.	12/19/2012	8/1/2026	3.0% - 4.0%	27,455,000	15,380,000	-	1,815,000	13,565,000
					$ 21,748,753	$ -	$ 2,822,868	$ 18,925,885

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

Fiscal Year	Principal	Interest	Total
2020-21	$ 2,912,489	$ 2,261,411	$ 5,173,900
2021-22	2,998,152	2,288,123	5,286,275
2022-23	3,108,571	2,293,516	5,402,087
2023-24	3,230,335	2,294,499	5,524,834
2024-25	3,353,443	2,291,178	5,644,621
2025-27	3,322,895	2,338,705	5,661,600
Total	$ 18,925,885	$ 13,767,432	$ 32,693,317

B. Certificates of Participation

2012 Refunding Certificates of Participation

In November 2012, the Capistrano Unified School District issued $19,635,000 of 2012 Refunding Certificates of Participation, pursuant to a lease agreement between the Corporation and the District. Under the agreement, the District will lease certain District property to the Corporation and will lease the property back from the Corporation. The current interest certificates have a final maturity occurring on August 1, 2025, with interest yields of 1.00 to 3.00 percent. The certificates were issued at an aggregate price of $19,319,921 (representing the principal amount of $19,635,000 plus an original issue premium of $282,182 less cost of issuance of $597,261).

Proceeds from the certificates were to be used to advance refund the District's outstanding 2002 Certificates of Participation and pay costs associated with the issuance of the certificates. The prepayment for the refunding occurred December 1, 2012.

At June 30, 2020, the principal balance outstanding on the 2012 Refunding Certificates of Participation was $6,450,000.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Certificates of Participation (continued)

2017 Certificates of Participation
On December 21, 2017, the Capistrano Unified School District issued $21,155,000 of Certificates of Participation, pursuant to a lease agreement between the Facilities Corporation and the District. The certificates were issued as Series A in the aggregate principal amount of $21,040,000 and Series B in the aggregate principal amount of $115,000. The Certificates mature between December 1, 2019 and 2043 and carry coupon interest rates between 2.15% and 4.02%.

Proceeds from the Certificates are being used to (i) finance various solar photovoltaic projects of the District and (ii) pay certain delivery costs of the Certificates, including premiums for a municipal bond insurance policy and debt service reserve insurance policy in lieu of cash funding a reserve fund.

The District has designated the Series A Certificates as “New Clean Renewable Energy Bonds” (“New CREBs”) under Section 54C of the *Tax Code* and irrevocably elected under *Tax Code* Section 6431(f)(2) to receive a direct subsidy from the U.S. Treasury equal to the lesser of (i) the amount of interest payable with respect to the Series A Certificates or (ii) 70 percent of the amount of interest which would be payable with respect to the Series A Certificates if the interest rates were determined at the applicable credit rate determined by the U.S. Treasury under *Tax Code* Section 54(A)(b)(3).

At June 30, 2020, the principal balance outstanding on the 2017 Certificates of Participation was $20,560,000.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain certificates of participation by placing the proceeds of new refunding certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the District’s financial statements. At June 30, 2020, none of the defeased certificates remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2020, deferred amounts on refunding were $244,725.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2020-21	$ 1,850,000	$ 860,249	$ 2,710,249
2021-22	1,865,000	819,166	2,684,166
2022-23	1,935,000	774,430	2,709,430
2023-24	1,995,000	725,941	2,720,941
2024-25	2,075,000	672,734	2,747,734
2025-30	3,970,000	2,887,160	6,857,160
2030-35	3,920,000	2,253,154	6,173,154
2035-40	5,265,000	1,376,392	6,641,392
2040-44	4,135,000	272,455	4,407,455
Total	$ 27,010,000	$ 10,641,681	$ 37,651,681

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Capital Leases

The District has entered into an agreement to lease buses valued at more than $640,000. The agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on lease agreements with options to purchase is summarized below:

Fiscal Year	Principal	Interest	Total
2020-21	$ 99,980	$ 25,512	$ 125,492
2021-22	103,280	22,212	125,492
2022-23	106,688	18,804	125,492
2023-24	110,208	15,284	125,492
2024-25	113,845	11,647	125,492
2025-27	239,086	11,898	250,984
	$ 773,087	$ 105,357	$ 878,444

The District has received no sublease revenue from this agreement.

D. Supplemental Early Retirement Plan

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2020, for these obligations are shown below.

Fiscal Year	Payment
2020-21	$ 3,238,549
2021-22	3,238,549
2022-23	3,238,548
	$ 9,715,646

E. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facilities 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 $198,153,863 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 107,990,740	$ 1,684,604	$ 6,741,674	$ 7,516,043
MPP Program	2,292,667	-	-	(194,825)
Total	$ 110,283,407	$ 1,684,604	$ 6,741,674	$ 7,321,218

The details of each plan are as follows:

District Plan

Plan description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

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

CUEA

- Retirees age 55 with at least 10 years of consecutive service are offered a District subsidy for retiree only medical coverage based on the following table:

Years of Service at Retirement	District Subsidy of Retiree Only Coverage
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

- Retirees may elect to cover any dependents; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees may elect dental coverage through the District; however, the full cost of such coverage is the responsibility of the retiree.
- Benefits cease at age 65.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Benefits Provided (continued)

CSEA

- Retirees age 53 with at least 10 years of consecutive service are offered a District subsidy for retiree only medical coverage based on the following table:

Years of Service at Retirement	District Subsidy of Retiree Only Coverage
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

- Retirees may elect to cover any dependents; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees may elect dental coverage through the District; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees age 50 with at least 10 years of consecutive service are eligible to retire; however, the retiree will pay the full cost of coverage until reaching age 53, when the District subsidy will begin.
- Benefits cease at age 65.

Employees covered by benefit terms
At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payment	144
Active employees	3,315
Total	3,459

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Total OPEB Liability
The District's total OPEB liability of $107,990,740 for the Plan was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2020
Wage inflation	2.75%
Healthcare cost trend rates	7.00% for the 2020/2021 fiscal year grading down to an ultimate rate of 4.50% in the 2030/2031 fiscal year and beyond.
Retirees' share of benefit-related costs	Varies, depending on years of service

Discount Rate
In accordance with GASB 75, the discount rate as of June 30, 2018 and June 30, 2020 is the 20-year municipal bond yield. As of June 30, 2019, a rate of 2.79% was used. As of June 30, 2020, a rate of 2.66% was used.

Rationale: As prescribed by GASB for an unfunded OPEB, the discount rate was developed using 20-year municipal bond yield. The S&P Municipal Bond 20-Year High Grade Rate Index was used for this purpose.

Mortality Rates
Based on the June 2013 Society of Actuaries Study entitled "Health Care Costs – From Birth to Death". Pre-age 65 morbidity rates were based on the HMO and PPO costs from Chart 3.

Rationale: Due to the size of the covered population, this assumption was based on industry tables with consideration for the current demographics of the covered population. This assumption continues to be reasonable for the 2019-2020 fiscal year valuation.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at July 1, 2019	$	113,840,682
Changes for the year:		
Service cost		5,063,382
Interest		3,230,441
Differences between expected and actual experience		(3,742,045)
Changes of assumptions		(4,123,242)
Benefit payments		(6,278,478)
Net changes		(5,849,942)
Balance at June 30, 2020	$	107,990,740

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

Discount Rate		OPEB Liability
1% decrease	$	115,255,067
Current discount rate	$	107,990,740
1% increase	$	100,979,142

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		OPEB Liability
1% decrease	$	97,102,167
Current trend rate	$	107,990,740
1% increase	$	120,608,501

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the District recognized OPEB expense of $7,516,043. In addition, at June 30, 2020, 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	$ -	$ 3,207,467
Changes in assumptions	1,684,604	3,534,207
Total	$ 1,684,604	$ 6,741,674

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the current measurement period is 7.0 years, 7.19 years for the 2018-19 measurement period, and 7.45 years for the 2017-18 measurement period.

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 345,833	$ 1,123,612
2022	345,833	1,123,612
2023	345,833	1,123,613
2024	345,833	1,123,612
2025	263,874	1,123,612
Thereafter	37,398	1,123,613
	$ 1,684,604	$ 6,741,674

Medicare Premium Payment (MPP) Program

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

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

As of June 30, 2019, 5,744 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

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

Total OPEB Liability
At June 30, 2020, the District reported a liability of $2,292,667 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net OPEB Liability	0.615652%	0.649867%	-0.034215%

For the year ended June 30, 2020, the District reported OPEB expense of $(194,825).

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2019
Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)
In addition, 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 380, or an average of 0.23% of the potentially eligible population (165,422).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2016) table issued by the Society of Actuaries.

Discount Rate
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, 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 California State Treasurer.

The discount rate used to measure the total OPEB liability was 3.50%. The MPP Program is funded on a pay-as-you-go basis as previously noted, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

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

Discount Rate	MPP OPEB Liability
1% decrease	$ 2,501,822
Current discount rate	$ 2,292,667
1% increase	$ 2,100,356

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

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

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	$ 2,089,145
Current trend rate	$ 2,292,667
1% increase	$ 2,525,907

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2020, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 359,759,487	$ 95,192,468	$ 56,264,743	$ 48,862,230
CalPERS	140,575,475	32,889,709	4,783,856	31,215,255
Total	$ 500,334,962	$ 128,082,177	$ 61,048,599	$ 80,077,485

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

NOTE 8 – PENSION PLANS (continued)

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

Plan Description (continued)
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, 2018, 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/actuarial-financial-and-investor-information.

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

NOTE 8 – PENSION PLANS (continued)

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

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 June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were $37,910,218.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020, 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:

District's proportionate share of net pension liability	$ 359,759,487
State's proportionate share of the net pension liability associated with the District	196,272,818
Total	$ 556,032,305

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.398334%	0.413258%	-0.014924%

NOTE 8 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2020, the District recognized pension expense of $48,862,230. In addition, the District recognized pension expense and revenue of $5,369,953 for support provided by the State. At June 30, 2020, 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	$ 37,910,218	$ -
Net change in proportionate share of net pension liability	10,043,801	31,440,557
Difference between projected and actual earnings on pension plan investments	828,535	14,686,581
Changes of assumptions	45,501,712	-
Differences between expected and actual experience	908,202	10,137,605
Total	$ 95,192,468	$ 56,264,743

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 14,266,259	$ 9,556,457
2022	14,266,259	19,176,228
2023	14,266,259	9,687,908
2024	12,969,775	6,724,301
2025	756,849	6,415,147
Thereafter	756,849	4,704,702
Total	$ 57,282,250	$ 56,264,743

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2016) table issued by the Society of Actuaries.

The long-term investment 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 (Pension Consulting Alliance) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

For each future valuation, CalSTRS' independent consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 535,711,655
Current discount rate (7.10%)	359,759,487
1% increase (8.10%)	213,861,631

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $27,378,152.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

NOTE 8 – PENSION PLANS (continued)

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

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

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 the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were $13,481,461.

NOTE 8 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $140,575,475. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.482344%	0.483584%	-0.001240%

For the year ended June 30, 2020, the District recognized pension expense of $31,215,255. At June 30, 2020, 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	$ 13,481,461	$ -
Net change in proportionate share of net pension liability	848,421	1,823,416
Difference between projected and actual earnings on pension plan investments	1,656,576	2,960,440
Changes of assumptions	6,691,829	-
Differences between expected and actual experience	10,211,422	-
Total	$ 32,889,709	$ 4,783,856

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years.

NOTE 8 – PENSION PLANS (continued)

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 12,772,325	$ 841,701
2022	4,439,448	3,412,558
2023	1,662,396	456,256
2024	534,079	66,674
2025	-	6,667
Thereafter	-	-
Total	$ 19,408,248	$ 4,783,856

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 8 – PENSION PLANS (continued)

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 202,630,304
Current discount rate (7.15%)	140,575,475
1% increase (8.15%)	89,096,708

C. Public Agency Retirement System (PARS)
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 PARS as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2020, the District reported payables of $3,548,926 and $756,258 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

NOTE 9 – JOINT VENTURES

The District is a member of ASCIP public entity risk pool, College and Career Advantage (CCA), Orange County Special Education Legal Alliance (OCSELA), and Ed Tech joint powers authorities (JPAs). Payments for the District's regional occupational program and special education legal services are paid to the JPAs. The District pays an annual premium to ASCIP for its property and liability and excess liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2020, the District had commitments with respect to unfinished capital projects of approximately $23.9 million.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2020.

D. Impact of COVID-19

On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a “distance learning” environment.

In response, the District announced the closing of all schools in mid-March. With nearly all districts in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver “grab and go” meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the District worked to implement distance learning for all students for the remainder of the 2019-20 school year.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the District to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the District’s operations are not fully known at this time.

NOTE 11 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with Alliance of Schools Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Excess liability coverage is obtained through participation in Schools Excess Liability Fund (SELF) (through ASCIP). 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. In addition, property and liability claims for which the District retains the risk of loss (claims below the District's retained limits), are administered by the Self- Insurance Fund.

Workers' Compensation
Beginning in 2009, the District has established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. Excess liability coverage for workers' compensation claims is provided through the purchase of commercial insurance.

Employee Medical Benefits
The District has contracted with the Metropolitan Employee Benefit Association (MEBA), an employee/employer benefits trust to provide employee medical and surgical benefits. MEBA obtains benefit programs on behalf of the District through the purchase of commercial insurance. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

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

Unpaid Claims Liabilities
The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2018	$ 12,539,253	$ 941,499	$ 13,480,752
Claims and changes in estimates	6,337,409	510,250	6,847,659
Claims payments	(5,251,024)	(568,913)	(5,819,937)
Liability Balance, June 30, 2019	13,625,638	882,836	14,508,474
Claims and changes in estimates	5,331,043	343,715	5,674,758
Claims payments	(4,463,866)	(383,993)	(4,847,859)
Liability Balance, June 30, 2020	$ 14,492,815	$ 842,558	$ 15,335,373
Assets available to pay claims at June 30, 2020	$ 16,639,833	$ 1,722,558	$ 18,362,391

(This page intentionally left blank)

Required Supplementary Information

CAPISTRANO UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 418,561,665	$ 414,952,049	$ 414,961,436	$ 9,387
Federal	19,047,873	18,494,607	16,372,126	(2,122,481)
Other State	63,588,994	72,162,021	76,133,499	3,971,478
Other Local	5,500,710	10,244,000	12,341,680	2,097,680
Total Revenues	506,699,242	515,852,677	519,808,741	3,956,064
Expenditures				
Current:				
Certificated Salaries	218,579,197	225,930,719	225,060,732	869,987
Classified Salaries	75,211,862	76,759,396	77,045,937	(286,541)
Employee Benefits	142,062,981	141,729,981	146,194,801	(4,464,820)
Books and Supplies	30,874,388	23,205,547	21,152,878	2,052,669
Services and Other Operating Expenditures	45,247,402	45,457,453	45,294,007	163,446
Transfers of indirect costs	(661,898)	(425,516)	(469,597)	44,081
Capital Outlay	350,000	5,884,444	2,032,844	3,851,600
Other Outgo	15,232,999	9,883,170	9,568,822	314,348
Total Expenditures	526,896,931	528,425,194	525,880,424	2,544,770
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,197,689)	(12,572,517)	(6,071,683)	6,500,834
Fund Balance, July 1, 2019	74,382,697	88,244,731	88,244,731	-
Fund Balance, June 30, 2020	$ 54,185,008	$ 75,672,214	82,173,048	$ 6,500,834

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:

Deferred Maintenance Fund	1,569,344
Special Reserve Fund for Postemployment Benefits	84,180

Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 83,826,572

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS						
District's proportion of the net pension liability	0.3983%	0.4133%	0.4079%	0.4388%	0.4440%	0.4240%
District's proportionate share of the net pension liability	$ 359,759,487	$ 379,812,952	$ 377,224,419	$ 355,067,590	$ 299,046,251	$ 247,568,061
State's proportionate share of the net pension liability associated with the District	196,272,818	217,460,679	223,162,780	202,163,405	158,162,077	149,493,785
Totals	$ 556,032,305	$ 597,273,631	$ 600,387,199	$ 557,230,995	$ 457,208,328	$ 397,061,846
District's covered-employee payroll	$ 214,070,817	$ 219,929,640	$ 215,595,715	$ 218,549,935	$ 203,198,773	$ 190,051,460
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.06%	172.70%	174.97%	162.47%	147.17%	130.26%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
District's proportion of the net pension liability	0.4823%	0.4836%	0.4832%	0.5021%	0.4863%	0.4712%
District's proportionate share of the net pension liability	$ 140,575,475	$ 128,938,817	$ 115,359,933	$ 99,165,061	$ 71,675,424	$ 53,496,722
District's covered-employee payroll	$ 65,678,779	$ 65,083,027	$ 61,338,126	$ 59,496,894	$ 53,396,092	$ 49,422,822
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.03%	198.11%	188.07%	166.67%	134.23%	108.24%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS						
Contractually required contribution	$ 37,910,218	$ 34,850,729	$ 31,735,847	$ 27,121,941	$ 23,450,408	$ 18,044,051
Contributions in relation to the contractually required contribution	37,910,218	34,850,729	31,735,847	27,121,941	23,450,408	18,044,051
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 221,697,179	$ 214,070,817	$ 219,929,640	$ 215,595,715	$ 218,549,935	$ 203,198,773
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 13,481,461	$ 11,862,901	$ 10,108,045	$ 8,518,639	$ 7,048,597	$ 6,285,254
Contributions in relation to the contractually required contribution	13,481,461	11,862,901	10,108,045	8,518,639	7,048,597	6,285,254
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 68,360,940	$ 65,678,780	$ 65,083,027	$ 61,338,126	$ 59,496,894	$ 53,396,092
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2020

Last 10 Fiscal Years*

	2019-20	2018-19	2017-18
Total OPEB liability			
Service cost	$ 5,063,382	$ 5,093,384	$ 5,473,982
Interest	3,230,441	3,342,294	3,366,886
Differences between expected and actual experience	(3,742,045)	-	-
Changes in assumptions	(4,123,242)	1,415,125	1,110,160
Benefit payments	(6,278,478)	(6,103,698)	(3,873,541)
Net change in total OPEB liability	(5,849,942)	3,747,105	6,077,487
Total OPEB liability - beginning	113,840,682	110,093,577	104,016,090
Total OPEB liability - ending	$ 107,990,740	$ 113,840,682	$ 110,093,577
Covered-employee payroll	$ 240,175,084	$ 207,699,203	$ 232,033,828
Total OPEB liability as a percentage of covered-employee payroll	44.96%	54.81%	47.45%

Notes to Schedule:

The discount rate as of the end of the 2019-20 fiscal year changed from 2.79% to 2.66% based on the change in 20-year municipal bond yields.

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2020

Last 10 Fiscal Years*

	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.6157%	0.6499%	0.6492%
District's proportionate share of net OPEB liability	$ 2,292,667	$ 2,487,492	$ 2,731,268
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	0.40%	0.01%

Notes to Schedule:

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

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

Change of assumptions – The discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

CAPISTRANO UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2020

The Capistrano Unified School District was unified in 1965 under the laws of the State of California. The District encompasses 200 square miles in seven cities and a portion of the unincorporated portion of Orange County. The District includes all or a part of the cities of San Clemente, Dana Point, San Juan Capistrano, Laguna Niguel, Aliso Viejo, Mission Viejo and Rancho Santa Margarita, and the communities of Las Flores, Coto de Caza, Dove Canyon, Ladera Ranch, Sendero/Rancho Mission Viejo, and Wagon Wheel. The District operates 33 elementary schools, 10 middle schools, 2 grades K-8 schools, 6 comprehensive high schools, 5 charter schools, and 8 alternative schools/programs. There were no boundary changes during the year.

BOARD OF TRUSTEES

Member	Office	Term Expires
Jim Reardon	President	2020
Martha McNicholas	Vice President	2022
Gila Jones	Clerk	2022
Judy Bullockus	Member	2022
Krista Castellanos	Member	2020
Amy Hanacek	Member	2020
Patricia Holloway	Member	2020

DISTRICT ADMINISTRATORS

Kirsten M. Vital,
Superintendent

Clark Hampton,
Deputy Superintendent, Business and Support Services

Tim Brooks,
Associate Superintendent, Human Resource Services

Dr. Susan Holliday,
Associate Superintendent, Education Services

Dr. Gregory Merwin,
Associate Superintendent, Student Support Services

Donald Mahoney,
Assistant Superintendent, SELPA, Special Education Services

Brad Shearer,
Assistant Superintendent, Curriculum & Instruction (Preschool – Grade 5)

Joshua Hill,
Assistant Superintendent, Curriculum & Instruction (Grades 6-12, K-8, Alternative Education)

Philippa Townsend,
Assistant Superintendent, Fiscal Services

Robert Miller,
Assistant Superintendent, Human Resource Services, Preschool to Grade 5

Rich Montgomery,
Assistant Superintendent, Human Resource Services, Grades 6-12, K-8, Alternative Education

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

	Second Period Report Certificate No. (11BF24D3)	Annual Report Certificate No. (60A68E38)
Regular ADA & Extended Year:		
Grades TK-3	12,252.66	12,252.66
Grades 4-6	9,706.45	9,706.45
Grades 7-8	7,197.88	7,197.88
Grades 9-12	15,252.22	15,252.22
Total Regular ADA	44,409.21	44,409.21
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK-3	2.38	2.38
Grades 4-6	14.60	14.60
Grades 7-8	18.86	18.86
Grades 9-12	55.38	55.38
Total Special Education, Nonpublic, Nonsectarian Schools ADA	91.22	91.22
Community Day School ADA:		
Grades 9-12	3.99	3.92
Total ADA	44,504.42	44,504.35
Attendance Supplement:		
Fallbrook Union High School District students in grades 9-12 attending Capistrano USD	99.66	99.66

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2020

Grade Level	Requirement	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	48,845	180	Complied
Grade 1	50,400	51,010	180	Complied
Grade 2	50,400	51,010	180	Complied
Grade 3	50,400	51,010	180	Complied
Grade 4	54,000	54,104	180	Complied
Grade 5	54,000	54,104	180	Complied
Grade 6	54,000	55,350	180	Complied
Grade 7	54,000	55,350	180	Complied
Grade 8	54,000	55,350	180	Complied
Grade 9	64,800	64,866	180	Complied
Grade 10	64,800	64,866	180	Complied
Grade 11	64,800	64,866	180	Complied
Grade 12	64,800	64,866	180	Complied

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021 [2]	2020 [3]	2019	2018
Revenues and other financing sources	$ 511,490,717	$ 519,808,741	$ 535,642,790	$ 489,117,691
Expenditures and other financing uses	535,582,897	525,880,424	515,149,410	496,107,195
Change in fund balance (deficit)	(24,092,180)	(6,071,683)	20,493,380	(6,989,504)
Ending fund balance	$ 58,080,868	$ 82,173,048	$ 88,244,731	$ 67,751,351
Available reserves [1]	$ 54,400,596	$ 50,625,569	$ 50,865,384	$ 39,800,131
Available reserves as a percentage of total outgo	10.2%	9.6%	9.9%	8.0%
Total long-term debt	$ 691,428,002	$ 697,940,054	$ 720,099,872	$ 707,272,976
Average daily attendance at P-2	N/A	44,504	45,165	45,853

The General Fund balance has increased by $14.4 million over the past two years. The fiscal year 2020-21 adopted budget projects a decrease of $24.1 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has decreased by $9.3 million over the past two years.

Average daily attendance has decreased by 1,349 over the past two years. No ADA will be reported in 2020-21.

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

[2] Revised budget September, 2020.

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

	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund Blended for Component Units*
June 30, 2020, annual financial and budget report (SACS) fund balance	$ 25,478,610	$ -
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Investments	1,198,211	10,149,206
Accounts receivable	-	43
Accounts payable	-	(405,845)
Net adjustments and reclassifications	1,198,211	9,743,404
June 30, 2020, audited financial statement fund balance	$ 26,676,821	$ 9,743,404

*Capital Project Fund for Blended Component Units is to account for capital projects activity related to the community facilities districts (CFDs), which are considered component units of the school district and are disclosed as non-obligatory debt. The activity for this fund is not reported in the Standardized Account Code Structure software submitted to the CDE.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	$ 127,934	
School Breakfast Program - Especially Needy	10.553	13526	965,515	
National School Lunch Program	10.555	13523	2,908,910	
Summer Feeding Option Program	10.555	13523	978,729	
USDA Donated Foods	10.555	N/A	683,427	
Total Child Nutrition Cluster				$ 5,664,515
Passed through Orange County Office of Education:				
Forest Reserve Funds	10.665	10044		1,588
Total U.S. Department of Agriculture				5,666,103
U.S. Department of Education:				
Indian Education	84.060	N/A		24,990
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies Cluster:				
Title I, Part A, Basic Grants, Low-Income and Neglected	84.010	14329	4,197,833	
ESSA: ESSA School Improvement Funding for LEAs	84.010	15438	148,239	
Total Title I Cluster				4,346,072
Title II, Part A, Supporting Effective Instruction	84.367	14341		785,092
Title III, Limited English Proficiency	84.365	14346		733,698
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		288,103
Early Intervention Grants	84.181	23761		51,074
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893		277,690
Department of Rehabilitation: Workability II, Transition Partnership	84.126	10006		681,086
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	8,049,586	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10119	262,591	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	203,830	
Preschool Capacity Building	84.027A	13839	130,623	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	533,655	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,448	
Total Special Education (IDEA) Cluster				9,182,733
Total U.S. Department of Education				16,370,538
Total Expenditures of Federal Awards				$ 22,036,641

Of the federal expenditures presented in the schedule, the District provided no awards to recipients.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2020

Charter School		
Name	Number	Inclusion in Financial Statements
Journey	0294	Not included
Opportunities for Learning - Capistrano	0463	Not included
California Connections Academy Southern California	0664	Not included
Community Roots Academy	1274	Not included
Oxford Preparatory Academy - South Orange County	1324	Not included
OCASA College Prep*	2084	Not included

** School started August 1, 2020*

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*. The instructional time presented in this schedule includes the days that the District was closed due to the COVID-19 pandemic.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

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

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Other Independent Auditors' Reports

(This page intentionally left blank)

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

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capistrano Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Capistrano Unified School District's basic financial statements, and have issued our report thereon dated January 6, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Capistrano Unified School 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 Capistrano Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Capistrano Unified School District's internal control.

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

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

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

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

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

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

Nigro & Nigro, PC

Murrieta, California
January 6, 2021

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

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, California

Report on Compliance for Each Major Federal Program
We have audited Capistrano Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Capistrano Unified School District's major federal programs for the year ended June 30, 2020. Capistrano Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Capistrano Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capistrano Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Capistrano Unified School District's compliance.

Opinion on Each Major Federal Program
In our opinion, Capistrano Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

Report on Internal Control Over Compliance
Management of Capistrano Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Capistrano Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Nigro & Nigro, PC

Murrieta, California
January 6, 2021

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, California

Report on State Compliance
We have audited Capistrano Unified School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Capistrano Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Capistrano Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Capistrano Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Capistrano Unified School District's compliance.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs
In our opinion, Capistrano Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Finding 2020-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding
Capistrano Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Capistrano Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro & Nigro, PC

Murrieta, California
January 6, 2021

Findings and Questioned Costs

(This page intentionally left blank)

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to LEAs Cluster
84.367	Title II, Part A, Supporting Effective Instruction

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2019-20.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2019-20.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2020-001: CALPADS Unduplicated Pupil Counts (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the free and reduced price meal (FRPM) eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that fourteen (14) students that were reported as qualifying for free or reduced priced meals did not qualify for that status for the 2019-20 fiscal year. This is due to the fact that the District applied the local "grace period" to the CALPADS reporting and as a result, some students in the CALPADS system were reported based on 2018-19 application data instead of 2019-20 application data.

Context: We noted errors in nine of the fourteen schools we tested, for a total of 14 exceptions out of a sample size of 60. We extrapolated the test results to arrive at a total error of 117.

Cause: We recognize that the District makes every attempt to comply with regulation; however, numerous regulatory changes occurred in the current year and the final regulations were not released until after the CALPADS deadline, which contributed to this issue.

Effect: The error results in a loss of funding of $62,693. A summary of the errors is as follows:

	CALPADS	Adjusted based on eligibility for: FRPM	Adjusted Total
Program/Site:			
Arroya Vista Elementary	83	(6)	77
Arroyo Vista Middle	41	(3)	38
California Preparatory Academy	13	(1)	12
Capistrano Valley High	622	(46)	576
Carl Hankey Elementary	158	(12)	146
Chaparral Elementary	103	(8)	95
John Malcom Elementary	107	(8)	99
Moulton Elementary	142	(11)	131
Tesoro High	286	(22)	264
Aggregate remaining sites	11,480	-	11,480
District-wide	13,035	(117)	12,918

Total enrollment of 46,510 was not adjusted based on the results of our procedures.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2020-001: CALPADS Unduplicated Pupil Counts (40000) (continued)

Recommendation: We recommend that the District work with the Child Nutrition Services department to update the CALPADS system once all applications are received. Although there is a grace period recognized at a local level, the District should update CALPADS retroactively to reflect the current year application information in the reporting software. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting, is updated to reflect the changes made in the Child Nutrition Services internal system prior to the submission of the CALPADS report.

Views of Responsible Officials: Staff will be meeting with T.I.S. and Food Services in January to ascertain what refinements need to be made to make sure that Aeries data matches that of Food Services data.

There were no audit findings or questioned costs in 2018-19.