CAPISTRANO UNIFIED SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2021

CAPISTRANO UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2021
Table of Contents

FINANCIAL SECTION

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Governmental Funds Financial Statements:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds Financial Statements:	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund	63
Schedule of Proportionate Share of the Net Pension Liability	64
Schedule of Pension Contributions	65
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	66
Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program	67
Notes to the Required Supplementary Information	68

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure	70
Schedule of Instructional Time	71
Schedule of Financial Trends and Analysis	72
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	73
Schedule of Charter Schools	74
Schedule of Expenditures of Federal Awards	75
Note to the Supplementary Information	76

OTHER INDEPENDENT AUDITORS' REPORTS

	Page
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	77
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	79
Independent Auditors' Report on State Compliance	81

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	83
Financial Statement Findings	84
Federal Award Findings and Questioned Costs	85
State Award Findings and Questioned Costs	86
Summary Schedule of Prior Audit Findings	87
Management Letter	88

Financial Section

(This page intentionally left blank)

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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, 2021, 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 *2020-21 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, 2021, 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. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Change in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the beginning net position on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

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 71 to 73 and the schedule of expenditures of federal awards on page 75 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 70 and 74 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 November 30, 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
November 30, 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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $14.0 million, or 4.5%.
- Governmental expenses were about $628.7 million. Revenues were about $642.8 million.
- The District acquired over $24.3 million in new capital assets during the year.
- The District increased its outstanding long-term debt other than pensions by $4.1 million. This was primarily due to increased OPEB liabilities.
- Governmental funds increased by $29.6 million, or 21.5%.
- Reserves for the General Fund increased by $3.8 million or 7.6%. Revenues were $552.8 million and expenditures and other financing uses were $537.8 million.

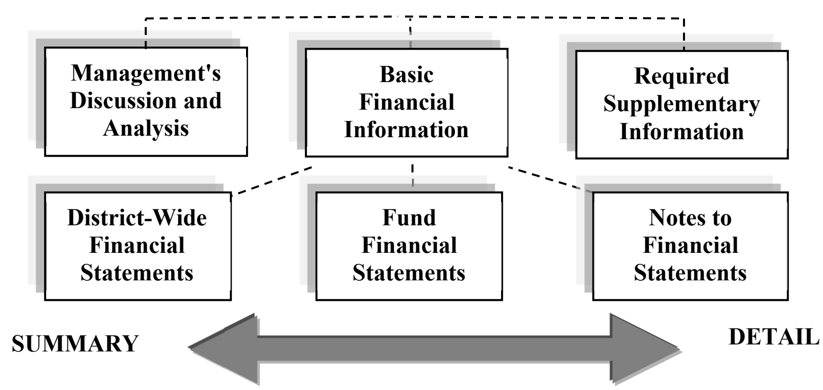
OVERVIEW OF THE FINANCIAL STATEMENTS

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 custodian for the benefit of others to whom the resources belong.

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

Figure A-1. Organization of 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*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2021, than it was the year before – increasing 4.5% to $327.2 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2021	2020*	Net Change
Assets			
Current assets	$ 233,700,534	$ 191,542,603	$ 42,157,931
Capital assets	788,943,232	785,788,302	3,154,930
Total assets	1,022,643,766	977,330,905	45,312,861
Deferred outflows of resources	145,194,783	130,304,596	14,890,187
Liabilities			
Current liabilities	38,470,692	28,752,836	9,717,856
Long-term liabilities	201,754,892	197,605,092	4,149,800
Net pension liability	546,464,500	500,334,962	46,129,538
Total liabilities	786,690,084	726,692,890	59,997,194
Deferred inflows of resources	53,952,381	67,790,273	(13,837,892)
Net position			
Net investment in capital assets	745,605,771	738,490,793	7,114,978
Restricted	114,267,237	72,689,406	41,577,831
Unrestricted	(532,676,924)	(498,027,861)	(34,649,063)
Total net position	$ 327,196,084	$ 313,152,338	$ 14,043,746

* *As restated*

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 21.8% to $642.8 million (See Table A-2). The increase is due primarily to increased Federal and State operating grants.

The total cost of all programs and services increased 12.6% to $628.7 million. The District's expenses are predominantly related to educating and caring for students, 79.3%. The purely administrative activities of the District accounted for just 4.6% of total costs. A significant contributor to the increase in costs was increased spending from Federal and State operating grants.

Table A-2: Statement of Activities

	Governmental Activities		
	2021	**2020**	**Net Change**
Revenues			
Program Revenues:			
Charges for services	$ 9,515,638	$ 6,028,185	$ 3,487,453
Operating grants and contributions	125,348,887	68,465,399	56,883,488
Capital grants and contributions	59,715,938	-	59,715,938
General Revenues:			
Property taxes	388,377,297	370,192,741	18,184,556
Federal and state aid not restricted	43,984,569	69,833,953	(25,849,384)
Other general revenues	15,828,878	13,328,728	2,500,150
Total Revenues	642,771,207	527,849,006	114,922,201
Expenses			
Instruction-related	440,222,804	416,422,505	23,800,299
Pupil services	58,334,220	58,841,341	(507,121)
Administration	28,754,438	26,822,464	1,931,974
Plant services	52,114,501	44,462,858	7,651,643
All other activities	49,301,498	12,020,148	37,281,350
Total Expenses	628,727,461	558,569,316	70,158,145
Increase (decrease) in net position	$ 14,043,746	$ (30,720,310)	$ 44,764,056
Total Net Position	$ 327,196,084	$ 313,152,338	

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 $167.0 million, which is above last year's ending fund balance of $137.4 million. The primary cause of the increased fund balance is the receipt of $59.6 million in State Facilities Program Funding.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2020*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2021
Fund					
General Fund	$ 82,173,048	$ 552,779,293	$ 536,383,979	$ (1,369,571)	$ 97,198,791
Student Activities Special Revenue Fund	5,027,436	7,329,180	7,352,759	-	5,003,857
Child Development Fund	478,471	4,527,586	4,534,201	-	471,856
Cafeteria Fund	1,600,235	11,607,962	10,731,791	-	2,476,406
Deferred Maintenance Fund	1,569,344	3,009,528	2,485,543	-	2,093,329
Special Reserve Fund (Postemployment Benefits)	84,180	652	-	-	84,832
Capital Facilities Fund	5,068,398	1,309,199	2,408,033	278,733	4,248,297
County School Facilities Fund	-	59,715,937	35,346,912	-	24,369,025
Special Reserve Fund (Capital Outlay)	26,676,821	3,776,644	18,236,547	1,346,211	13,563,129
Capital Projects Fund for Blended Component Units	9,743,404	1,574,786	7,786,469	8,704,337	12,236,058
Bond Interest and Redemption Fund	4,948,174	5,437,931	5,168,955	-	5,217,150
	$ 137,369,511	$ 651,068,698	$ 630,435,189	$ 8,959,710	$ 166,962,730

* As restated

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 $123.9 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $7.8 million to reflect revised cost estimates.
- Other non-personnel expenses – increased $8.4 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about $47.1 million, the actual results for the year show that revenues exceeded expenditures by roughly $16.4 million. Actual revenues were $45.4 million less than anticipated, and expenditures were $14.7 million less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had acquired $24.3 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 $21.1 million.

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

	Governmental Activities		
	2021	2020*	Net Change
Land	$ 321,438,330	$ 320,638,330	$ 800,000
Improvement of sites	12,763,318	14,799,237	(2,035,919)
Buildings	356,277,055	361,165,675	(4,888,620)
Equipment	10,709,387	9,671,098	1,038,289
Construction in progress	87,755,142	79,513,962	8,241,180
Total	$ 788,943,232	$ 785,788,302	$ 3,154,930

Long-Term Debt

At year-end the District had $201.7 million in long-term liabilities other than pensions – an increase of 2.1% 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		
	2021	2020	Net Change
General obligation bonds	$ 25,814,356	$ 30,016,038	$ (4,201,682)
Certificates of participation	25,257,701	27,129,407	(1,871,706)
Capital lease obligations	673,107	773,087	(99,980)
Compensated absences	4,940,381	4,352,134	588,247
Supplemental early retirement plan	6,477,097	9,715,646	(3,238,549)
Claims liability	18,424,647	15,335,373	3,089,274
Other postemployment benefits	120,167,603	110,283,407	9,884,196
Total	$ 201,754,892	$ 197,605,092	$ 4,149,800

Net pension liability increased during the year by $46.1 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature Passed a Final Budget Package on June 28, 2021. The final budget package largely reflected the Legislature’s approach on State Appropriations Limit (SAL)-related choices and choices to use funding from the American Rescue Plan (ARP) to offset General Fund costs. The budget package assumes that 2021-22 will end with nearly $21 billion in total reserves. This consists of: (1) $15.8 billion in the Budget Stabilization Account (BSA), (2) $4 billion in Special Fund for Economic Uncertainties, and (3) $900 million in the Safety Net Reserve, which is available for spending on the state’s safety net programs, like Medi-Cal. In addition, the Proposition 98 Reserve (dedicated to school and community college spending) would reach $4.5 billion under the spending plan.

Budget Also Commits $27 Billion in ARP Fiscal Relief Funds
The ARP included $350 billion in flexible funding to state and local governments for fiscal recovery in the Coronavirus State Fiscal Recovery Fund. Of this total, California’s state government received about $27 billion. The state has until December 31, 2024 to use the funds for any of the following purposes: (1) to respond to the public health emergency or negative economic impacts associated with the emergency; (2) to support essential work; (3) to backfill a reduction in total revenues that have occurred relative to the pre-pandemic trajectory; or (4) for water, sewer, or broadband infrastructure.

Significant Increase in School and Community College Funding
Proposition 98 (1988) established the minimum annual funding level for schools and community colleges. This funding requirement depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2020-21, the minimum requirement is up $22.5 billion (31.8 percent) compared with the estimates made in June 2020. This increase represents the largest upward revision since the passage of Proposition 98 and is due to higher General Fund revenue estimates. For 2021-22, the minimum requirement increases by an additional $309 million (0.3 percent) relative to the revised 2020-21 level.

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs
When the minimum funding requirement is growing quickly, the Constitution requires the state to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the June 2021 budget plan, the total required deposit is $4.5 billion—$1.9 billion in 2020-21 and $2.6 billion in 2021-22. The largest discretionary allocation of Proposition 98 funding is $12.5 billion to pay down the deferrals the state adopted as part of the June 2020 budget plan. Beginning in 2021-22, schools and community colleges will receive all of their funding according to the regular monthly payment schedule. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, these augmentations focus on providing academic support for disadvantaged students, reopening schools and addressing learning loss, enhancing the education workforce, and implementing new curriculum or instructional practices in certain subjects. The community college augmentations focus on increasing the number of full-time faculty, addressing deferred maintenance at campus facilities, and funding basic student needs (including mental health services). The budget also provides a 5.07 percent baseline increase for the primary school and community college funding formulas.

Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten
Trailer legislation adopted in June 2020 would have required the state to make payments to schools and community colleges on top of the minimum funding requirement beginning in 2021-22. These supplemental payments were intended to accelerate the recovery of school funding from the decline the state anticipated last June. In recognition of the significant revenue increases (and ensuing increases in the guarantee) that have occurred since that time, the June 2021 budget plan repeals these payments. The budget, however, makes another commitment that will increase funding for schools—above the existing minimum requirement—on an ongoing basis. Specifically, it establishes a

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten (continued)
plan to make all four-year olds eligible for Transitional Kindergarten by 2025-26. (Currently, only children born between September 2 and December 2 are eligible.) The Legislature and the Governor have reached an agreement to cover the associated costs—approximately $2.7 billion at full implementation—by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

Meanwhile, the new Delta variant continues to wreak havoc on school re-openings throughout California, as infection rates are on the rise. Complicating matters more is the new requirement that quarantined students no longer have the option of distance learning, but must instead be enrolled in independent study. All independent study programs have to demonstrate satisfactory educational progress, provide a plan for synchronous instruction, reflect grade-level standards, develop procedures for re-engaging students who are having trouble participating and provide a plan to transition students back to in-person instruction when their families wish to do so. The trailer bill language also addressed communication with students and families, the requirements of written independent study agreements and resources that must be provided to students. Districts can seek a waiver but only if certain conditions are met.

All of these factors were considered in preparing the Capistrano Unified School District budget for the 2021-22 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, 2021

		Governmental Activities
ASSETS		
Deposits and investments	$	182,890,117
Accounts receivable		50,138,062
Prepaid expenses		302,195
Inventories		370,160
Capital assets:		
Non-depreciable capital assets		409,193,472
Depreciable capital assets		818,578,745
Less accumulated depreciation		(438,828,985)
Total assets		1,022,643,766
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding		448,230
Deferred outflows related to OPEB		4,428,248
Deferred outflows related to pensions		140,318,305
Total deferred outflows of resources		145,194,783
LIABILITIES		
Accounts payable		32,131,394
Unearned revenue		6,339,298
Long-term liabilities other than pensions:		
Portion due or payable within one year		10,364,992
Portion due or payable after one year		191,389,900
Net pension liability		546,464,500
Total liabilities		786,690,084
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB		5,618,061
Deferred inflows related to pensions		48,334,320
Total deferred inflows of resources		53,952,381
NET POSITION		
Net investment in capital assets		745,605,771
Restricted for:		
Capital projects		52,302,576
Debt service		5,217,150
Student body activities		5,003,857
Self-insurance programs		10,106,363
Categorical programs		41,637,291
Unrestricted		(532,676,924)
Total net position	$	327,196,084

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2021

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 370,797,855	$ 44,153	$ 80,726,539	$ 59,715,938	$ (230,311,225)
Instruction-Related Services:					
Supervision of instruction	29,942,883	7,363,081	15,284,136	-	(7,295,666)
Instructional library, media and technology	1,740,870	-	118,802	-	(1,622,068)
School site administration	37,741,196	11,304	2,544,968	-	(35,184,924)
Pupil Support Services:					
Home-to-school transportation	11,770,628	1,614	1,280,410	-	(10,488,604)
Food services	10,913,881	153,073	11,133,766	-	372,958
All other pupil services	35,649,711	1,398	6,885,652	-	(28,762,661)
General Administration Services:					
Data processing services	9,566,424	17,881	66,725	-	(9,481,818)
Other general administration	19,188,014	43,200	3,496,631	-	(15,648,183)
Plant services	52,114,501	1,391,635	1,510,585	-	(49,212,281)
Ancillary services	590,257	-	(74,914)	-	(665,171)
Community services	12,000	-	-	-	(12,000)
Enterprise activities	3,611,173	-	-	-	(3,611,173)
Interest on long-term debt	1,867,763	-	-	-	(1,867,763)
Other outgo	43,220,305	488,299	2,375,587	-	(40,356,419)
Total Governmental Activities	$ 628,727,461	$ 9,515,638	$ 125,348,887	$ 59,715,938	(434,146,998)

General Revenues:	
Property taxes	388,377,297
Federal and state aid not restricted to specific purpose	43,984,569
Interest and investment earnings	1,192,563
Interagency revenues	1,672,796
Miscellaneous	12,963,519
Subtotal general revenues	448,190,744
Change in net position	14,043,746
Net position - July 1, 2020, as originally stated	313,715,920
Adjustments for restatements (Note 12)	(563,582)
Net position - July 1, 2020, as restated	313,152,338
Net position - June 30, 2021	$ 327,196,084

CAPISTRANO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 85,983,132	$ 24,369,025	$ 44,718,971	$ 155,071,128
Accounts receivable	45,668,999	-	3,618,603	49,287,602
Due from other funds	265,462	-	-	265,462
Stores inventories	115,248	-	254,912	370,160
Prepaid expenditures	302,195	-	-	302,195
Total Assets	$ 132,335,036	$ 24,369,025	$ 48,592,486	$ 205,296,547
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 27,590,453	$ -	$ 3,937,786	$ 31,528,239
Due to other funds	198,139	-	268,141	466,280
Unearned revenue	5,169,492	-	1,169,806	6,339,298
Total Liabilities	32,958,084	-	5,375,733	38,333,817
Fund Balances				
Nonspendable	592,443	-	267,662	860,105
Restricted	24,955,036	24,369,025	40,835,158	90,159,219
Assigned	19,358,705	-	2,113,933	21,472,638
Unassigned	54,470,768	-	-	54,470,768
Total Fund Balances	99,376,952	24,369,025	43,216,753	166,962,730
Total Liabilities and Fund Balances	$ 132,335,036	$ 24,369,025	$ 48,592,486	$ 205,296,547

Total fund balances - governmental funds			$ 166,962,730
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:	1,227,772,217	
	Accumulated depreciation:	(438,828,985)	
	Net:		788,943,232
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:			(263,898)
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:			448,230
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	25,814,356	
	Certificates of participation payable	25,257,701	
	Capital leases payable	673,107	
	Compensated absences payable	4,940,381	
	Supplemental early retirement plan	6,477,097	
	Other postemployment benefits	120,167,603	
	Total		(183,330,245)
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.			(546,464,500)
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	4,428,248	
	Deferred inflows of resources	(5,618,061)	
	Total		(1,189,813)
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			
	Deferred outflows of resources	140,318,305	
	Deferred inflows of resources	(48,334,320)	
	Total		91,983,985
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:			10,106,363
Total net position - governmental activities			$ 327,196,084

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 412,912,093	$ -	$ -	$ 412,912,093
Federal sources	35,407,093	-	10,716,408	46,123,501
Other state sources	99,482,412	59,595,508	3,929,861	163,007,781
Other local sources	7,987,875	120,429	20,917,019	29,025,323
Total Revenues	555,789,473	59,715,937	35,563,288	651,068,698
EXPENDITURES				
Current:				
Instruction	347,939,873	-	2,988,575	350,928,448
Instruction-Related Services:				
Supervision of instruction	21,679,817	-	891,930	22,571,747
Instructional library, media and technology	1,407,826	-	-	1,407,826
School site administration	37,098,324	-	331,668	37,429,992
Pupil Support Services:				
Home-to-school transportation	11,616,905	-	-	11,616,905
Food services	382	-	10,438,310	10,438,692
All other pupil services	35,195,537	-	45,830	35,241,367
Ancillary services	3,762,107	-	7,352,759	11,114,866
Community services	12,000	-	-	12,000
General Administration Services:				
Data processing services	9,699,193	-	-	9,699,193
Other general administration	16,171,497	-	1,412,128	17,583,625
Transfers of indirect costs	(509,679)	-	509,679	-
Plant services	44,868,071	-	60,000	44,928,071
Capital outlay	2,193,142	-	23,534,989	25,728,131
Intergovernmental transfers	7,609,035	35,346,912	773,690	43,729,637
Debt service:				
Principal	99,980	-	4,762,489	4,862,469
Interest	25,512	-	3,116,708	3,142,220
Total Expenditures	538,869,522	35,346,912	56,218,755	630,435,189
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,919,951	24,369,025	(20,655,467)	20,633,509
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	1,369,571	1,369,571
Interfund transfers out	(1,369,571)	-	-	(1,369,571)
Issuance of non-obligatory debt	-	-	8,570,000	8,570,000
All other financing sources	-	-	389,710	389,710
Total Other Financing Sources and Uses	(1,369,571)	-	10,329,281	8,959,710
Net Change in Fund Balances	15,550,380	24,369,025	(10,326,186)	29,593,219
Fund Balances, July 1, 2020, as originally stated	83,826,572	-	48,515,503	132,342,075
Adjustments for restatements (Note 12)	-	-	5,027,436	5,027,436
Fund Balances, July 1, 2020, as restated	83,826,572	-	53,542,939	137,369,511
Fund Balances, June 30, 2021	$ 99,376,952	$ 24,369,025	$ 43,216,753	$ 166,962,730

Total net change in fund balances - governmental funds		$	29,593,219
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	24,282,632		
Depreciation expense	(21,127,702)		3,154,930
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:			4,862,469
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:			(89,585)
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:			1,015,109
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:			295,790
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:			(17,709)
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).			(588,247)
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:			3,238,549
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:			(20,983,713)
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:			(6,016,939)
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.			(420,127)
Change in net position of governmental activities		$	14,043,746

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2021

		Governmental Activities
		Internal Service Funds
ASSETS		
Curret Assets		
Deposits and investments	$	27,818,989
Accounts receivable		850,460
Due from other funds		200,818
Total Assets		28,870,267
LIABILITIES		
Current Liabilities		
Accrued liabilities		339,257
Non-Current Liabilities		
Claims liability		18,424,647
Total Liabilities		18,763,904
NET POSITION		
Restricted	$	10,106,363

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges to other funds	$ 70,615,816
All other fees and contracts	35,452
Other local revenues	380,739
Total operating revenues	71,032,007
OPERATING EXPENSES	
Salaries and benefits	548,267
Supplies and materials	3,171
Services and other operating expenses	71,100,876
Total operating expenses	71,652,314
Operating Income (Loss)	(620,307)
NON-OPERATING REVENUES	
Interest income	200,180
Change in net position	(420,127)
Net position, July 1, 2020	10,526,490
Net position, June 30, 2021	$ 10,106,363

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 70,568,781
Cash received from all other sources	35,452
Cash payments for payroll, insurance and operating costs	(68,576,683)
Net cash provided (used) by operating activities	2,027,550
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	224,139
Net increase (decrease) in cash and cash equivalents	2,251,689
Cash, July 1, 2020	25,567,300
Cash, June 30, 2021	$ 27,818,989
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (620,307)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(377,352)
(Increase) decrease in due from other funds	(50,422)
Increase (decrease) in accounts payable	(13,180)
Increase (decrease) in due to other funds	(463)
Increase (decrease) in claims liability	3,089,274
Net cash provided (used) by operating activities	$ 2,027,550

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2021

		Debt Service Funds for Special Tax Bonds
ASSETS		
Deposits and investments	$	22,420,539
Accounts receivable		110
Total Assets		22,420,649
LIABILITIES		
Accounts payable		-
NET POSITION		
Restricted for CFD debt service	$	22,420,649

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2021

	Debt Service Funds for Special Tax Bonds
ADDITIONS	
Local property taxes	$ 18,543,243
Interest	1,019
All other transfers in	1,173,365
Total Additions	19,717,627
DEDUCTIONS	
General administration	15,468
Debt service - interest	6,950,329
Debt service - principal	9,725,000
All other transfers out	1,973,722
Total Deductions	18,664,519
Change in fiduciary net position	1,053,108
Net position - July 1, 2020	21,367,541
Net position - June 30, 2021	$ 22,420,649

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.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

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

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

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

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.).

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.

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

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

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

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

2. Measurement Focus, Basis of Accounting

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

C. Budgetary Data
The budgetary process is prescribed by provisions of the California *Education Code* and requires the 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 Pronouncements

The following Statements have been implemented as of June 30, 2021:

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.

2. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. (continued)
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.

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

1. 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.

2. 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)

2. (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.

3. 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.

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

4. 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)

4. (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.

5. 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.

   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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. 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.

   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, 2021 are classified in the accompanying financial statements as follows:

Governmental funds	$ 155,071,128
Proprietary funds	27,818,989
Governmental Activities	182,890,117
Fiduciary funds	22,420,539
Total deposits and investments	$ 205,310,656

Deposits and investments as of June 30, 2021 consist of the following:

Cash on hand and in banks	$ 5,011,651
Cash in revolving fund	867,750
Investments	199,431,255
Total deposits and investments	$ 205,310,656

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, 2021, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2021, $4,609,048 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, 2021, 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	$ 36,244,162	$ 36,244,162	$ -	Level 2
County Pool	N/A	163,187,093	163,187,093	-	Uncategorized
Total Investments		$ 199,431,255	$ 199,431,255	$ -	

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, 2021, 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, 2021, 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%

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2021, consisted of the following:

	Governmental Activities				
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Funds	Fiduciary Funds
Federal Government:					
Categorical aid programs	$ 9,965,046	$ 1,524,325	$ 11,489,371	$ -	$ -
State Government:					
LCFF sources	16,534,489	38,317	16,572,806	-	-
Special education	10,052,213	-	10,052,213	-	-
Lottery	3,083,993	-	3,083,993	-	-
Categorical aid programs	2,687,272	1,489,211	4,176,483	-	-
Local:					
Interest	55,695	14,179	69,874	3,434	110
Other local	3,290,291	552,571	3,842,862	847,026	-
Total	$ 45,668,999	$ 3,618,603	$ 49,287,602	$ 850,460	$ 110

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds
Balances due to/from other funds at June 30, 2021, consisted of the following:

	Due From Other Funds		
	General Fund	Self-Insurance Fund	Total
General Fund	$ -	$ 194,639	$ 194,639
Non-Major Governmental Funds	265,462	6,179	271,641
Total	$ 265,462	$ 200,818	$ 466,280

Child Development Fund due to General Fund for indirect costs	$ 216,199
Other non-major funds due to General Fund for indirect and miscellaneous expenses	49,263
General Fund due to Self-Insurance Fund for OPEB and Workers' Comp	194,639
Non-major funds due to Self-Insurance Fund for OPEB and Workers' Comp	6,179
	$ 466,280

Interfund Transfers In/Out
Interfund transfers between funds during the year ended June 30, 2021 included $1,369,571 transferred from the General Fund to the Special Reserve Fund for Capital Outlay to pay debt service payments on Certificates of Participation.

NOTE 5 – FUND BALANCES

At June 30, 2021, fund balances of the District's governmental funds were classified as follows:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 175,000	$ -	$ 12,750	$ 187,750
Stores inventories	115,248	-	254,912	370,160
Prepaid expenditures	302,195	-	-	302,195
Total Nonspendable	592,443	-	267,662	860,105
Restricted:				
Categorical programs	24,955,036	-	471,856	25,426,892
Student body funds	-	-	5,003,857	5,003,857
Child nutrition program	-	-	2,208,744	2,208,744
Capital projects	-	24,369,025	27,933,551	52,302,576
Debt service	-	-	5,217,150	5,217,150
Total Restricted	24,955,036	24,369,025	40,835,158	90,159,219
Assigned:				
Unrestricted funds	8,391,151	-	-	8,391,151
Technology refresh	334,355	-	-	334,355
LCFF supplemental carryover	1,566,208	-	-	1,566,208
Library abatement carryover	172,911	-	-	172,911
Teacher development carryover	679,812	-	-	679,812
Site supply carrover	1,711,234	-	-	1,711,234
Education division carryover	2,119,542	-	-	2,119,542
Gift carryover	2,205,331	-	-	2,205,331
Deferred maintenance program	2,093,329	-	-	2,093,329
Other assignments	84,832	-	2,113,933	2,198,765
Total Assigned	19,358,705	-	2,113,933	21,472,638
Unassigned:				
Reserve for economic uncertainties	10,700,000	-	-	10,700,000
Remaining unassigned balances	43,770,768	-	-	43,770,768
Total Unassigned	54,470,768	-	-	54,470,768
Total	$ 99,376,952	$ 24,369,025	$ 43,216,753	$ 166,962,730

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance, July 1, 2020	Restatements	Additions	Deletions	Balance, June 30, 2021
Governmental Activities:					
Capital assets not being depreciated					
Land	$ 320,638,330	$ -	$ 800,000	$ -	$ 321,438,330
Construction in progress	79,513,962	-	20,684,901	12,443,721	87,755,142
Total capital assets not being depreciated	400,152,292	-	21,484,901	12,443,721	409,193,472
Capital assets being depreciated					
Site improvements	42,325,596	-	84,590	-	42,410,186
Buildings	725,806,940	(5,202,303)	12,443,721	-	733,048,358
Furniture and equipment	40,407,060	-	2,713,141	-	43,120,201
Total capital assets being depreciated	808,539,596	(5,202,303)	15,241,452	-	818,578,745
Less accumulated depreciation:					
Site improvements	(27,526,359)	-	(2,120,509)	-	(29,646,868)
Buildings	(360,329,124)	890,162	(17,332,341)	-	(376,771,303)
Furniture and equipment	(29,457,085)	(1,278,877)	(1,674,852)	-	(32,410,814)
Total accumulated depreciation	(417,312,568)	(388,715)	(21,127,702)	-	(438,828,985)
Governmental Activities Capital Assets, net	$ 791,379,320	$ (5,591,018)	$ 15,598,651	$ 12,443,721	$ 788,943,232

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	$ 19,754,401
Home-to-school transportation	528,193
Data processing	211,277
Plant services	633,831
Total	$ 21,127,702

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the fiscal year ended June 30, 2021, were as follows:

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 18,925,885	$ -	$ 2,912,489	$ 16,013,396	$ 2,998,152
Accreted interest component	9,422,812	742,402	1,757,511	8,407,703	1,864,223
Unamortized issuance premium	1,667,341	-	274,084	1,393,257	274,083
Total - Bonds	30,016,038	742,402	4,944,084	25,814,356	5,136,458
Certificates of Participation:					
Principal repayments - 2012 Certificates	6,450,000	-	1,205,000	5,245,000	1,230,000
Principal repayments - 2017 Certificates	20,560,000	-	645,000	19,915,000	635,000
Unamortized issuance premium	119,407	-	21,706	97,701	21,706
Total - Certificates of participation	27,129,407	-	1,871,706	25,257,701	1,886,706
Capital Lease Obligations	773,087	-	99,980	673,107	103,280
Compensated Absences	4,352,134	588,247	-	4,940,381	-
Supplemental Early Retirement Plan	9,715,646	-	3,238,549	6,477,097	3,238,548
Claims Liability	15,335,373	3,089,274	-	18,424,647	-
Other Postemployment Benefits	110,283,407	13,403,476	3,519,280	120,167,603	-
Totals	$ 197,605,092	$ 17,823,399	$ 13,673,599	$ 201,754,892	$ 10,364,992

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, 2021, 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, 2021, deferred amounts on refunding were $247,999.

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, 2021.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Issuances	Redemptions	Balance, June 30, 2021
1999, Series B	3/14/2001	8/1/2025	4.0% - 5.1%	$ 29,999,930	$ 5,360,885	$ -	$ 977,489	$ 4,383,396
2012 Ref.	12/19/2012	8/1/2026	3.0% - 4.0%	27,455,000	13,565,000	-	1,935,000	11,630,000
					$ 18,925,885	$ -	$ 2,912,489	$ 16,013,396

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

Fiscal Year	Principal	Interest	Total
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
2025-26	2,032,895	2,312,905	4,345,800
2026-27	1,290,000	25,800	1,315,800
Total	$ 16,013,396	$ 11,506,021	$ 27,519,417

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, 2021, the principal balance outstanding on the 2012 Refunding Certificates of Participation was $5,245,000.

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, 2021, the principal balance outstanding on the 2017 Certificates of Participation was $19,915,000.

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, 2021, 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, 2021, deferred amounts on refunding were $200,231.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
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
2025-26	965,000	630,419	1,595,419
2026-31	3,695,000	2,762,978	6,457,978
2031-36	4,165,000	2,101,733	6,266,733
2036-41	5,570,000	1,162,880	6,732,880
2041-44	2,895,000	131,151	3,026,151
Total	$ 25,160,000	$ 9,781,432	$ 34,941,432

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
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
2025-26	117,602	7,890	125,492
2026-27	121,484	4,008	125,492
	$ 673,107	$ 79,845	$ 752,952

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, 2021, for these obligations are shown below.

Fiscal Year	Payment
2021-22	$ 3,238,548
2022-23	3,238,549
	$ 6,477,097

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 $191,283,863 as of June 30, 2021, 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, 2021, 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	$ 117,519,996	$ 4,428,248	$ 5,618,061	$ 9,181,279
MPP Program	2,647,607	-	-	354,940
Total	$ 120,167,603	$ 4,428,248	$ 5,618,061	$ 9,536,219

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 payments	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 $117,519,996 for the Plan was measured as of June 30, 2021 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, 2021 is the 20-year municipal bond yield. As of June 30, 2020, a rate of 2.66% was used. As of June 30, 2021, a rate of 2.18% 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 2020-21 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, 2020	$	107,990,740
Changes for the year:		
Service cost		6,512,034
Interest		2,999,275
Changes in assumptions		3,537,227
Benefit payments		(3,519,280)
Net changes		9,529,256
Balance at June 30, 2021	$	117,519,996

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	$	125,039,587
Current discount rate	$	117,519,996
1% increase	$	110,216,330

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	$	105,504,620
Current trend rate	$	117,519,996
1% increase	$	131,465,987

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, 2021, the District recognized OPEB expense of $9,181,279. In addition, at June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,672,889
Changes of assumptions	4,428,248	2,945,172
Total	$ 4,428,248	$ 5,618,061

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 7.9 years and 7.00 to 7.45 years for previous measurement periods.

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 793,583	$ 1,123,613
2023	793,583	1,123,613
2024	793,583	1,123,613
2025	711,623	1,123,613
2026	485,149	1,123,609
Thereafter	850,727	-
	$ 4,428,248	$ 5,618,061

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, 2019 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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

As of June 30, 2020, 5,443 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

Total OPEB Liability
At June 30, 2021, the District reported a liability of $2,647,607 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, 2020, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. 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, 2021	Fiscal Year Ending June 30, 2020	Change Increase/ (Decrease)
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net OPEB Liability	0.624753%	0.615652%	0.009101%

For the year ended June 30, 2021, the District reported OPEB expense of $354,940.

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
The total OPEB liability in the June 30, 2019 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, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population of 159,339.

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

Discount Rate
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2020, was 2.21%, which is a decrease of 1.29% from 3.50% as of June 30, 2019.

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 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	$ 2,927,665
Current discount rate	$ 2,647,607
1% increase	$ 2,409,295

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	$ 2,400,674
Current trend rate	$ 2,647,607
1% increase	$ 2,931,869

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, 2021, 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	$ 399,499,582	$ 110,307,693	$ 42,806,654	$ 53,886,046
CalPERS	146,964,918	30,010,612	5,527,666	25,428,462
Total	$ 546,464,500	$ 140,318,305	$ 48,334,320	$ 79,314,508

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.15%	16.15%
Required State Contribution Rate	10.328%	10.328%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

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, approximately $1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The contribution rates for each program for the year ended June 30, 2021, are presented above, and the District's total contributions were $36,280,221.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2021, 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	$	399,499,582
State's proportionate share of the net pension liability associated with the District		205,942,081
Total	$	605,441,663

The net pension liability was measured as of June 30, 2020. 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, 2021	Fiscal Year Ending June 30, 2020	Change Increase/ (Decrease)
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.412242%	0.398334%	0.013908%

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, 2021, the District recognized pension expense of $53,886,046. In addition, the District recognized pension expense and revenue of $6,439,043 for support provided by the State. At June 30, 2021, 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	$ 36,280,221	$ -
Net change in proportionate share of net pension liability	19,079,738	25,743,959
Difference between projected and actual earnings on pension plan investments	15,285,933	5,796,122
Changes of assumptions	38,956,867	-
Differences between expected and actual experience	704,934	11,266,573
Total	$ 110,307,693	$ 42,806,654

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
2022	$ 16,918,072	$ 14,582,475
2023	20,150,049	7,994,848
2024	21,249,179	7,289,915
2025	8,609,840	6,989,105
2026	3,011,594	3,523,437
Thereafter	4,088,738	2,426,874
Total	$ 74,027,472	$ 42,806,654

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, 2019 and rolling forward the total pension liability to June 30, 2020. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

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

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.8%
Fixed Income	15%	3.6%
Real Estate	13%	6.3%
Private Equity	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	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%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 603,588,219
Current discount rate (7.10%)	399,499,582
1% increase (8.10%)	230,995,672

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, 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 $23,306,541.

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, 2019 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, 2021, 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	20.70%	20.70%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021 are presented above, and the total District contributions were $15,416,111.

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, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $146,964,918. The net pension liability was measured as of June 30, 2020. 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, 2021	Fiscal Year Ending June 30, 2020	Change Increase/ (Decrease)
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.478977%	0.482344%	-0.003367%

For the year ended June 30, 2021, the District recognized pension expense of $25,428,462. At June 30, 2021, 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	$ 15,416,111	$ -
Net change in proportionate share of net pension liability	33,569	1,854,011
Difference between projected and actual earnings on pension plan investments	6,732,997	3,673,655
Changes of assumptions	538,926	-
Differences between expected and actual experience	7,289,009	-
Total	$ 30,010,612	$ 5,527,666

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 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
2022	$ 6,712,145	$ 3,974,309
2023	3,954,475	1,033,230
2024	2,466,978	279,429
2025	1,460,903	219,422
2026	-	21,276
Thereafter	-	-
Total	$ 14,594,501	$ 5,527,666

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
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%)	$ 211,288,870
Current discount rate (7.15%)	146,964,918
1% increase (8.15%)	93,579,267

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, 2021, the District reported payables of $2,228,077 and $2,405,675 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2021.

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, 2021, the District had commitments with respect to unfinished capital projects of approximately $10.9 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, 2021.

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.

NOTE 11 – RISK MANAGEMENT (continued)

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, 2019 to June 30, 2021:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 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
Claims and changes in estimates	9,727,849	121,456	9,849,305
Claims payments	(6,538,836)	(221,195)	(6,760,031)
Liability Balance, June 30, 2021	$ 17,681,828	$ 742,819	$ 18,424,647
Assets available to pay claims at June 30, 2021	$ 18,261,454	$ 1,733,438	$ 19,994,892

NOTE 12 – ADJUSTMENTS FOR RESTATEMENT

The District has made the following adjustments for restatements:

	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances
Associated Student Body (ASB) funds, as a result of the implementation of GASB Statement No.84	$ 5,027,436	$ 5,027,436
Adjustments to capital assets and depreciation	(5,591,018)	-
Total adjustments for restatements	$ (563,582)	$ 5,027,436

Required Supplementary Information

(This page intentionally left blank)

CAPISTRANO UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 379,026,102	$ 409,784,475	$ 409,912,093	$ 127,618
Federal	19,277,721	60,517,878	35,407,113	(25,110,765)
Other State	69,358,633	120,681,244	99,482,392	(21,198,852)
Other Local	6,651,600	7,187,988	7,977,695	789,707
Total Revenues	474,314,056	598,171,585	552,779,293	(45,392,292)
Expenditures				
Current:				
Certificated Salaries	230,537,467	232,151,223	231,212,805	938,418
Classified Salaries	77,870,177	83,875,736	82,470,038	1,405,698
Employee Benefits	142,910,353	143,086,232	142,177,962	908,270
Books and Supplies	22,471,435	31,956,894	21,162,950	10,793,944
Services and Other Operating Expenditures	45,403,901	49,265,988	49,102,033	163,955
Transfers of indirect costs	(659,700)	(251,827)	(509,679)	257,852
Capital Outlay	2,882,568	2,731,038	3,033,343	(302,305)
Other Outgo	13,446,369	8,243,641	7,734,527	509,114
Total Expenditures	534,862,570	551,058,925	536,383,979	14,674,946
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,548,514)	47,112,660	16,395,314	(30,717,346)
Other Financing Sources and Uses				
Interfund Transfers Out	-	(1,369,571)	(1,369,571)	-
Total Other Financing Sources and Uses	-	(1,369,571)	(1,369,571)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(60,548,514)	45,743,089	15,025,743	(30,717,346)
Fund Balance, July 1, 2020	77,255,821	82,173,048	82,173,048	-
Fund Balance, June 30, 2021	$ 16,707,307	$ 127,916,137	97,198,791	$ (30,717,346)

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

Deferred Maintenance Fund	2,093,329
Special Reserve Fund for Postemployment Benefits	84,832

Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 99,376,952

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2021

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS							
District's proportion of the net pension liability	0.4122%	0.3983%	0.4133%	0.4079%	0.4388%	0.4440%	0.4240%
District's proportionate share of the net pension liability	$ 399,499,582	$ 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	205,942,081	196,272,818	217,460,679	223,162,780	202,163,405	158,162,077	149,493,785
Totals	$ 605,441,663	$ 556,032,305	$ 597,273,631	$ 600,387,199	$ 557,230,995	$ 457,208,328	$ 397,061,846
District's covered-employee payroll	$ 221,697,181	$ 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	180.20%	168.06%	172.70%	174.97%	162.47%	147.17%	130.26%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
CalPERS							
District's proportion of the net pension liability	0.4790%	0.4823%	0.4836%	0.4832%	0.5021%	0.4863%	0.4712%
District's proportionate share of the net pension liability	$ 146,964,918	$ 140,575,475	$ 128,938,817	$ 115,359,933	$ 99,165,061	$ 71,675,424	$ 53,496,722
District's covered-employee payroll	$ 68,360,940	$ 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	214.98%	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%	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, 2021

*Last Ten Fiscal Years**

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS							
Contractually required contribution	$ 36,280,221	$ 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	36,280,221	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	$ 224,645,334	$ 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	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	$ 15,416,111	$ 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	15,416,111	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	$ 74,473,966	$ 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	20.700%	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, 2021

Last 10 Fiscal Years*

	2020-21	2019-20	2018-19	2017-18
Total OPEB liability				
Service cost	$ 6,512,034	$ 5,063,382	$ 5,093,384	$ 5,473,982
Interest	2,999,275	3,230,441	3,342,294	3,366,886
Differences between expected and actual experience	-	(3,742,045)	-	-
Changes in assumptions	3,537,227	(4,123,242)	1,415,125	1,110,160
Benefit payments	(3,519,280)	(6,278,478)	(6,103,698)	(3,873,541)
Net change in total OPEB liability	9,529,256	(5,849,942)	3,747,105	6,077,487
Total OPEB liability - beginning	107,990,740	113,840,682	110,093,577	104,016,090
Total OPEB liability - ending	$ 117,519,996	$ 107,990,740	$ 113,840,682	$ 110,093,577
Covered-employee payroll	$ 231,955,560	$ 240,175,084	$ 207,699,203	$ 232,033,828
Total OPEB liability as a percentage of covered-employee payroll	50.7%	44.96%	54.81%	47.45%

Notes to Schedule:

The discount rate was reduced from 2.66% to 2.18% for the most recent measurement period.

** 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, 2021

Last 10 Fiscal Years*

	2019-20	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.6248%	0.6157%	0.6499%	0.6492%
District's proportionate share of net OPEB liability	$ 2,647,607	$ 2,292,667	$ 2,487,492	$ 2,731,268
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	-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 deferred based on the average working life. The discount rate was changed from 2.66 percent to 2.18 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

Change of assumptions – The discount rate was changed from 3.50 percent to 2.21 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, 2021

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
Judy Bullockus	President	2022
Krista Castellanos	Vice President	2024
Gila Jones	Clerk	2022
Pamela Braunstein	Member	2024
Lisa Davis	Member	2024
Amy Hanacek	Member	2024
Martha McNicholas	Member	2022

DISTRICT ADMINISTRATORS

Kirsten M. Vital Brulte,
Superintendent

Clark Hampton,
Deputy Superintendent, Business and Support Services

Tim Brooks,
Associate Superintendent, Human Resource Services

Dr. Gregory Merwin,
Associate Superintendent, Education and Support Services

Dr. Cary Johnson,
Assistant Superintendent, Education and Support Services

Clint Collins,
Interim Assistant Superintendent, SELPA, Special Education Services

Brad Shearer,
Assistant Superintendent, School Leadership & Instruction, Elementary

Dr. Dave Stewart,
Assistant Superintendent, School Leadership & Instruction, Elementary

Jennifer Smalley,
Assistant Superintendent, School Leadership & Instruction, Secondary

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 Instructional Time

For the Fiscal Year Ended June 30, 2021

	Number of Instructional Days			
Grade Level	Actual	Credited Days From J-13A Waivers	Total	Status
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied
Grade 9	180	0	180	Complied
Grade 10	180	0	180	Complied
Grade 11	180	0	180	Complied
Grade 12	180	0	180	Complied

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2021

General Fund	(Budget) 2022 [2]	2021 [3]	2020	2019
Revenues and other financing sources	$ 612,670,563	$ 552,779,293	$ 519,808,741	$ 535,642,790
Expenditures and other financing uses	591,410,151	537,753,550	525,880,424	515,149,410
Change in fund balance (deficit)	21,260,412	15,025,743	(6,071,683)	20,493,380
Ending fund balance	$ 118,459,203	$ 97,198,791	$ 82,173,048	$ 88,244,731
Available reserves [1]	$ 71,044,749	$ 54,470,768	$ 50,625,569	$ 50,865,384
Available reserves as a percentage of total outgo	12.0%	10.1%	9.6%	9.9%
Total long-term debt	$ 738,485,970	$ 748,219,392	$ 697,940,054	$ 720,099,872
Average daily attendance at P-2	44,604	N/A	44,504	45,165

The General Fund balance has increased by $8.95 million over the past two years. The fiscal year 2021-22 adopted budget projects an increase of $21.3 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 one of the past three years, and anticipates incurring an operating surplus during the 2021-22 fiscal year. Long-term debt has increased by $28.1 million over the past two years.

No average daily attendance was reported in 2020-21. Projected ADA in 2021-22 is 44,604.

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

[2] Revised budget September, 2021.

[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.

	General Fund	Capital Project Fund Blended for Component Units*
June 30, 2021, annual financial and budget report (SACS) fund balance	$ 110,932,784	$ -
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Investments	-	12,625,412
Accounts receivable	(13,733,993)	62
Accounts payable	-	(389,416)
Net adjustments and reclassifications	(13,733,993)	12,236,058
June 30, 2021, audited financial statement fund balance	$ 97,198,791	$ 12,236,058

**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 Charter Schools
For the Fiscal Year Ended June 30, 2021

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing 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	$ 1,170,789	
School Breakfast Program - Especially Needy	10.553	13526	1,849,026	
National School Lunch Program	10.555	13523	5,731,140	
USDA Donated Foods	10.555	N/A	1,555,941	
Total Child Nutrition Cluster				$ 10,306,896
Passed through Orange County Office of Education:				
Forest Reserve Funds	10.665	10044		770
Total U.S. Department of Agriculture				10,307,666
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516		17,224,470
Total U.S. Department of Treasury				17,224,470
U.S. Department of Education:				
Indian Education	84.060	N/A		25,028
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	3,735,798	
ESSA: ESSA School Improvement Funding for LEAs	84.010	15438	26,306	
Total Title I Cluster				3,762,104
Title II, Part A, Supporting Effective Instruction	84.367	14341		850,114
Title III, Limited English Proficiency	84.365	14346		505,574
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		122,557
Early Intervention Grants	84.181	23761		51,074
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893		267,139
Department of Rehabilitation: Workability II, Transition Partnership	84.126	10006		739,262
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	573	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	2,500,621	
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	294,302	
Subtotal Education Stabilization Fund				2,795,496
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	7,973,304	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10119	474,246	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	203,022	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	528,117	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,362	
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	97,069	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	79,686	
Total Special Education (IDEA) Cluster				9,357,806
Total U.S. Department of Education				18,476,154
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
CRRSA Act - One-time Stipend	93.575	15555		115,211
Total U.S. Department of Health & Human Services				115,211
Total Expenditures of Federal Awards				$ 46,123,501

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

NOTE 1 – PURPOSE OF SCHEDULES

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

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

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

Schedule of 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.

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.

(This page intentionally left blank)

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, 2021, 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 November 30, 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.

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. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

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*.

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
November 30, 2021

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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, 2021. 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, 2021.

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. Suite 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
November 30, 2021

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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 *2020-21 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, 2021.

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 *2020-21 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 and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	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. Suite 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
K-3 Grade Span Adjustment	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	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study – Course Based	Not Applicable
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	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, 2021.

Nigro & Nigro, PC

Murrieta, California
November 30, 2021

Schedule of Findings and Questioned Costs

(This page intentionally left blank)

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 (a)?	No

Identification of major programs:

Assitance Listing Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster (IDEA)
21.019	Coronavirus Relief Fund (CRF) Learning Loss Mitigation
84.425C & 84.425D	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,383,705
Auditee qualified as low-risk auditee?	Yes

State Awards

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

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

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

There were no financial statement findings in 2020-21.

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 2020-21.

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

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

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2020-001: CALPADS Unduplicated Pupil Counts	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. 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.	40000	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.	Implemented

(This page intentionally left blank)

NIGRO & NIGRO PC

A Professional Accountancy Corporation

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

In planning and performing our audit of the basic financial statements of Capistrano Unified School District for the year ending June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 30, 2021 on the financial statements of Capistrano Unified School District.

ASSOCIATED STUDENT BODY FUNDS

Observation: During our test of cash disbursements, we noted that some schools had disbursements selected in our sample that were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred.

> ***Recommendation:*** Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

Observation: During our testing of cash disbursements, our samples included expenditures that appear to be unallowable or questionable disbursements. These included treats for staff recognition, reimbursement for two meals referenced "with uniform vendor", gift cards that are purchased as student incentive prizes, and maintenance on District-owned golf carts. Such items are usually not allowable because they are either considered a District expense or could represent a misappropriation of District funds.

> ***Recommendation:*** Anything that is purchased must be for goods and services that promote the students' general welfare, morale, and educational experiences. We recommend that the sites discontinue issuing such payments from ASB funds.

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

Nigro & Nigro, PC

Murrieta, California
November 30, 2021

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. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*