ORANGE UNIFIED SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2020

NIGRO & NIGRO PC

ORANGE UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2020
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INDEPENDENT AUDITORS' REPORT

Board of Education
Orange Unified School District
Orange, 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 Orange Unified School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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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 73 to 76 and the schedule of expenditures of federal awards on page 77 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 72 and 78 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
January 19, 2021

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

FINANCIAL HIGHLIGHTS

- The District-wide net position, consisting of the entire activities of the District except fiduciary activities, increased by roughly $11.1 million or 77.8% over the course of the year.
- Overall District-wide revenues were $347.6 million.
- The total cost of basic programs was $336.5 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just $273.2 million.
- The District decreased its outstanding long-term debt other than pensions by $22.9 million or 7.2%. This was primarily due to an advance payment and refunding of the retirement health benefit bonds.
- Average daily attendance (ADA) in grades K-12 decreased by 432, or 1.8%.
- Governmental funds decreased by $70.2 million, or 22.9%.
- Reserves for the General Fund increased $0.9 million from the prior year. Revenues were $314.1 million and expenditures were $304.9 million.

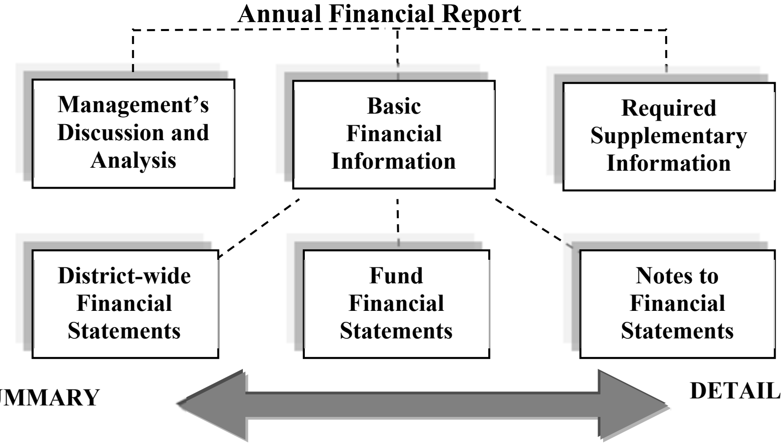
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1. Organization of Orange 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 it is properly using certain revenues.

The District has three kinds of funds:

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

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2020, than it was the year before – increasing 77.8% to $(3.2) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2020	2019*	(Decrease)
Assets			
Current assets	$ 283,970,524	$ 362,528,159	$ (78,557,635)
Net OPEB asset	29,670,678	28,974,493	696,185
Capital assets	304,685,487	228,552,989	76,132,498
Total assets	618,326,689	620,055,641	(1,728,952)
Deferred outflows of resources	78,860,368	89,959,019	(11,098,651)
Liabilities			
Current liabilities	32,176,931	40,688,494	(8,511,563)
Long-term liabilities	294,566,287	317,514,625	(22,948,338)
Net pension liability	315,728,453	332,059,729	(16,331,276)
Total liabilities	642,471,671	690,262,848	(47,791,177)
Deferred inflows of resources	57,872,393	33,986,668	23,885,725
Net position			
Net investment in capital assets	197,414,638	157,125,910	40,288,728
Restricted	49,068,643	72,332,740	(23,264,097)
Unrestricted	(249,640,288)	(243,693,506)	(5,946,782)
Total net position	$ (3,157,007)	$ (14,234,856)	$ 11,077,849

**As restated*

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 0.3% to $347.6 million (See Table A-2). The decrease is due primarily to lower operating grants and contributions.

The total cost of all programs and services increased 1.0% to $336.5 million. The District's expenses are predominantly related to educating and caring for students, 81.8%. The purely administrative activities of the District accounted for just 4.4% of total costs. A significant contributor to the increase in costs was decreased other outgo related to debt service.

Table A-2: Statement of Activities

	Governmental Activities 2020	Governmental Activities 2019	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 10,089,843	$ 11,705,832	$ (1,615,989)
Operating grants and contributions	53,214,357	63,651,879	(10,437,522)
Capital grants and contributions	-	992,723	(992,723)
General Revenues:			
Property taxes	189,343,487	188,994,420	349,067
Federal and state aid not restricted	75,399,084	75,832,533	(433,449)
Other general revenues	19,529,205	5,372,309	14,156,896
Total Revenues	347,575,976	346,549,696	1,026,280
Expenses			
Instruction-related	236,889,596	238,188,520	(1,298,924)
Pupil services	38,509,436	37,186,304	1,323,132
Administration	14,968,883	13,467,748	1,501,135
Plant services	31,235,575	31,836,786	(601,211)
All other activities	14,894,637	12,539,842	2,354,795
Total Expenses	336,498,127	333,219,200	3,278,927
Increase (decrease) in net position	$ 11,077,849	$ 13,330,496	$ (2,252,647)
Total net position	$ (3,157,007)	$ (14,234,856)	$ 11,077,849

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 $236.9 million, which is below last year's ending fund balance of $307.1 million. The primary cause of the decreased fund balance is spending down the Special Reserve for Capital Outlay Fund and the Building Fund on Capital Projects.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
Fund					
General Fund	$ 68,346,963	$ 314,124,062	$ 304,900,076	$ 450,159	$ 78,021,108
Charter School Fund	2,826,412	11,551,580	10,686,632	(611,952)	3,079,408
Adult Education Fund	106	8,635	5,658	-	3,083
Child Development Fund	1,342,260	7,427,744	8,156,337	-	613,667
Cafeteria Fund	82,554	7,385,388	7,404,750	102,920	166,112
Deferred Maintenance Fund	8,179,201	217,227	3,480,147	4,572,764	9,489,045
Special Reserve Fund (Other Than Capital Outlay)	-	17,977	-	(17,977)	-
Building Fund	158,472,508	2,872,526	52,952,939	-	108,392,095
Capital Facilities Fund	7,576,796	3,350,597	7,210,878	-	3,716,515
County School Facilities Fund	-	-	-	-	-
Special Reserve Fund (Capital Outlay)	34,547,893	583,532	18,290,483	(4,562,764)	12,278,178
Capital Projects Fund for Blended Component Units	3,940,872	64,037	1,468,292	-	2,536,617
Bond Interest and Redemption Fund	11,861,632	9,052,522	14,812,728	-	6,101,426
Debt Service Fund for Blended Component Units	-	2,678	610,697	610,697	2,678
Debt Service Fund	9,923,522	6,309,328	3,762,712	(10,833)	12,459,305
	$ 307,100,719	$ 362,967,833	$ 433,742,329	$ 533,014	$ 236,859,237

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 $11.0 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $1.1 million to reflect revised cost estimates.
- Other non-personnel expenses – decreased $2.4 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $4.4 million, the actual results for the year show that revenues exceeded expenditures by roughly $9.2 million. Actual revenues were $10.1 million more than anticipated, and expenditures were $3.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested $81.4 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded $5.3 million.

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

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
Land	$ 19,082,424	$ 19,082,424	$ -
Improvement of sites	5,661,218	1,281,957	4,379,261
Buildings	162,645,620	157,117,251	5,528,369
Equipment	3,935,284	4,010,324	(75,040)
Construction in progress	113,360,941	47,061,033	66,299,908
Total	$ 304,685,487	$ 228,552,989	$ 76,132,498

Long-Term Debt

At year-end the District had $294.6 million in long term debt other than pensions – a decrease of 7.2% 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		Variance Increase
	2020	2019	(Decrease)
General obligation bonds	$ 187,022,797	$ 194,882,885	$ (7,860,088)
Certificates of participation	9,824,039	10,061,708	(237,669)
Certificates of participation - 2012 Site Lease Agreement	15,551,384	18,863,215	(3,311,831)
Retirement health benefits funding bonds	64,565,000	76,765,000	(12,200,000)
Capital leases	5,801,341	6,410,051	(608,710)
Compensated absences	4,676,726	4,111,766	564,960
Claims liability	7,125,000	6,420,000	705,000
Total	$ 294,566,287	$ 317,514,625	$ (22,948,338)

Net pension liability decreased during the year by $16.3 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Proposition 98

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

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

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

K-12 Education

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

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

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

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

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

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Includes Additional Fiscal Flexibility in a Few Areas (continued)

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: David Rivera, Assistant Superintendent, Business Services/CBO at (714) 628-4479 or drivera@orangeusd.org or Jenny Delgado, Executive Director, Business Services at (714) 628-4479 or jdelgado@orangeusd.org. Additional information about the District's operations can be found on the District's Business Services Division webpage at the following link: https://www.orangeusd.org/departments/business-services.

ORANGE UNIFIED SCHOOL DISTRICT

Statement of Net Position

June 30, 2020

		Total Governmental Activities
ASSETS		
Deposits and investments	$	262,968,564
Accounts receivable		20,810,563
Inventories		190,418
Prepaid expenses		979
Net OPEB asset		29,670,678
Capital assets:		
Non-depreciable assets		132,443,365
Depreciable assets		273,465,653
Less accumulated depreciation		(101,223,531)
Total assets		618,326,689
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding		254,617
Deferred outflows from OPEB		264,594
Deferred outflows from pensions		78,341,157
Total deferred outflows of resources		78,860,368
LIABILITIES		
Accounts payable		31,008,606
Unearned revenue		1,168,325
Long-term liabilities other than pensions:		
Portion due or payable within one year		9,018,207
Portion due or payable after one year		285,548,080
Net pension liability		315,728,453
Total liabilities		642,471,671
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from OPEB		6,648,838
Deferred inflows from pensions		51,223,555
Total deferred inflows of resources		57,872,393
NET POSITION		
Net investment in capital assets		197,414,638
Restricted for:		
Capital projects		15,994,693
Debt service		18,563,409
Educational programs		3,605,192
Self-Insurance		10,905,349
Unrestricted		(249,640,288)
Total net position	$	(3,157,007)

ORANGE UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instructional Services:				
Instruction	$ 189,703,897	$ 402,558	$ 29,596,483	$ (159,704,856)
Instruction-Related Services:				
Supervision of instruction	12,114,979	10,296	3,598,274	(8,506,409)
Instructional library, media and technology	8,487,350	13	118,865	(8,368,472)
School site administration	26,583,370	96,221	359,254	(26,127,895)
Pupil Support Services:				
Home-to-school transportation	11,807,667	-	20,148	(11,787,519)
Food services	7,948,956	948,220	6,236,407	(764,329)
All other pupil services	18,752,813	15,310	2,265,145	(16,472,358)
General Administration Services:				
Data processing services	2,625,792	-	166	(2,625,626)
Other general administration	12,343,091	48,997	826,022	(11,468,072)
Plant services	31,235,575	4,727	282,932	(30,947,916)
Ancillary services	2,211,042	-	4,539	(2,206,503)
Community services	137,940	-	-	(137,940)
Enterprise activities	86,206	-	-	(86,206)
Interest on long-term debt	10,178,579	-	-	(10,178,579)
Other outgo	2,280,870	8,563,501	9,906,122	16,188,753
Total Governmental Activities	$ 336,498,127	$ 10,089,843	$ 53,214,357	(273,193,927)

General Revenues:

Property taxes	189,343,487
Federal and state aid not restricted to specific purpose	75,399,084
Interest and investment earnings	1,905,630
Interagency revenues	898,680
Transfers	10,830,000
Miscellaneous	5,894,895
Total general revenues	284,271,776
Change in net position	11,077,849
Net position - July 1, 2019, as originally stated	(9,421,870)
Adjustments for restatements (Note 12)	(4,812,986)
Net position - July 1, 2019, as restated	(14,234,856)
Net position - June 30, 2020	$ (3,157,007)

ORANGE UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 73,702,544	$ 116,727,319	$ 18,881,931	$ 35,504,553	$ 244,816,347
Accounts receivable	19,242,512	122,554	20,105	1,407,670	20,792,841
Due from other funds	1,527,969	-	-	5,133,918	6,661,887
Inventories	90,151	-	-	100,267	190,418
Prepaid expenditures	979	-	-	-	979
Total Assets	$ 94,564,155	$ 116,849,873	$ 18,902,036	$ 42,146,408	$ 272,462,472
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 15,045,949	$ 8,457,778	$ 2,050,501	$ 2,271,739	$ 27,825,967
Due to other funds	640,145	-	4,573,357	1,395,441	6,608,943
Unearned revenue	856,953	-	-	311,372	1,168,325
Total Liabilities	16,543,047	8,457,778	6,623,858	3,978,552	35,603,235
Fund Balances					
Nonspendable	191,130	-	-	135,267	326,397
Restricted	2,767,524	108,392,095	12,278,178	25,543,942	148,981,739
Committed	-	-	-	9,489,045	9,489,045
Assigned	21,704,658	-	-	2,999,602	24,704,260
Unassigned	53,357,796	-	-	-	53,357,796
Total Fund Balances	78,021,108	108,392,095	12,278,178	38,167,856	236,859,237
Total Liabilities and Fund Balances	$ 94,564,155	$ 116,849,873	$ 18,902,036	$ 42,146,408	$ 272,462,472

Total fund balances - governmental funds			$ 236,859,237
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost	405,909,018	
	Accumulated depreciation	(101,223,531)	
	Net:		304,685,487
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			254,617
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:			(3,095,993)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:			
	General obligation bonds payable	187,022,797	
	Certificates of participation payable	9,824,039	
	Site lease agreement	15,551,384	
	Retirement health benefits funding bonds	64,565,000	
	Capital lease payable	5,801,341	
	Compensated absences	4,676,726	
	Total		(287,441,287)
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.			(315,728,453)
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government wide statements, postemployment benefits costs are recognized in the period they are incurred. The other postemployment benefit net asset is a result of accumulated plan assets that are an irrevocable contribution and dedicated to providing benefits to retirees, in excess of the total OBEB liability.			29,670,678
In governmental funds, deferred outflows and inflows of resources relating to pensions and other post employment benefits (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 pensions and OPEB are reported.			
	Deferred outflows of resources	78,605,751	
	Deferred inflows of resources	(57,872,393)	
	Net:		20,733,358
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is:			10,905,349
Total net position - governmental activities			$ (3,157,007)

ORANGE UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2020

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 236,787,826	$ -	$ -	$ 9,761,983	$ 246,549,809
Federal sources	12,443,733	-	-	6,137,225	18,580,958
Other state sources	43,820,508	-	-	3,134,853	46,955,361
Other local sources	21,089,972	2,872,526	583,532	26,335,675	50,881,705
Total Revenues	314,142,039	2,872,526	583,532	45,369,736	362,967,833
EXPENDITURES					
Current:					
Instruction	179,135,806	-	-	12,765,400	191,901,206
Instruction-related services:					
Supervision of instruction	11,978,554	-	-	377,454	12,356,008
Instructional library, media and technology	7,171,077	-	-	206,020	7,377,097
School site administration	21,841,327	-	-	3,344,925	25,186,252
Pupil support services:					
Home-to-school transportation	10,049,514	-	-	138,600	10,188,114
Food services	5,583	-	-	7,164,943	7,170,526
All other pupil services	18,023,682	-	-	481,324	18,505,006
Ancillary services	2,226,052	-	-	20,750	2,246,802
Community services	119,390	-	-	(2,402)	116,988
General administration services:					
Data processing services	2,373,749	-	-	5,626	2,379,375
Other general administration	9,844,807	-	-	180,753	10,025,560
Plant services	24,031,648	-	-	3,658,795	27,690,443
Transfers of indirect costs	(498,601)	-	-	498,601	-
Intergovernmental	2,074,022	-	-	206,848	2,280,870
Capital outlay	525,173	52,952,939	18,290,483	9,365,057	81,133,652
Debt service:					
Issuance costs	426,610	-	-	-	426,610
Principal	13,438,710	-	-	11,146,831	24,585,541
Interest	2,132,973	-	-	8,039,306	10,172,279
Total Expenditures	304,900,076	52,952,939	18,290,483	57,598,831	433,742,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,241,963	(50,080,413)	(17,706,951)	(12,229,095)	(70,774,496)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	10,833	-	-	5,286,381	5,297,214
Interfund transfers out	(101,665)	-	(4,572,764)	(622,785)	(5,297,214)
Other financing sources	-	-	10,000	-	10,000
Proceeds from refunding debt	33,595,000	-	-	-	33,595,000
Transfer to escrow agent for defeased debt	(33,071,986)	-	-	-	(33,071,986)
Total Other Financing Sources and Uses	432,182	-	(4,562,764)	4,663,596	533,014
Net Change in Fund Balances	9,674,145	(50,080,413)	(22,269,715)	(7,565,499)	(70,241,482)
Fund Balances, July 1, 2019	68,346,963	158,472,508	34,547,893	45,733,355	307,100,719
Fund Balances, June 30, 2020	$ 78,021,108	$ 108,392,095	$ 12,278,178	$ 38,167,856	$ 236,859,237

ORANGE UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental funds			$ (70,241,482)
Amounts reported for governmental activities in the statement of activities are different because:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:			
	Expenditures for capital outlay	81,441,678	
	Depreciation expense	(5,309,180)	
	Net:		76,132,498
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:			57,550,541
In governmental funds, proceeds from bond issuances are reported as other financing sources. In the government-wide statements, proceeds from bond issuances are reported as a liability. Proceeds from retirement heath benefit funding bonds for the year were:			(33,595,000)
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 governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. Deferred amounts on refunding amortized during the year were:			(63,655)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:			262,757
In governmental funds, interest on long-term debt is recognized in the period 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:			459,869
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:			(564,960)
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 and actual employer contributions was:			(18,260,165)
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 and actual employer contributions was:			366,907
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:			(969,461)
Change in net position of governmental activities			$ 11,077,849

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

		Governmental Activities Internal Service Fund
ASSETS		
Deposits and investments	$	18,152,217
Accounts receivable		17,722
Due from other funds		90,091
Total assets		18,260,030
LIABILITIES		
Current liabilities:		
Accounts payable		86,646
Due to other funds		143,035
Total current liabilities		229,681
Non-current liabilities:		
Estimated liability for open claims and IBNRs		7,125,000
Total liabilities		7,354,681
NET POSITION		
Restricted	$	10,905,349

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	$ 2,943,576
OPERATING EXPENSES	
Payments for personnel costs	294,714
Payments for materials and supplies	2,287
Payments for claims and other operating expenses	3,954,941
Total operating expenses	4,251,942
OPERATING INCOME (LOSS)	(1,308,366)
NON-OPERATING REVENUES	
Interest income	338,905
Change in net position	(969,461)
Net position, July 1, 2019	11,874,810
Net position, June 30, 2020	$ 10,905,349

ORANGE UNIFIED SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Fund

For the Fiscal Year Ended June 30, 2020

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	$ 3,055,533
Payments to employees and fringe benefits	(340,077)
Payments to vendors and suppliers	(494)
Payments on insurance claims	(3,249,941)
Net cash provided (used) by operating activities	(534,979)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	355,711
Net increase (decrease) in cash and cash equivalents	(179,268)
Cash and cash equivalents, July 1, 2019	18,331,485
Cash and cash equivalents, June 30, 2020	$ 18,152,217
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (1,308,366)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	111,957
Estimated liability for open claims and IBNRs	705,000
Accounts payable and accrued liabilities	1,793
Due to other funds	(45,363)
Net cash provided (used) by operating activities	$ (534,979)

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

	Agency Funds		Trust Funds	
ASSETS	Student Body Funds	Debt Service Fund for Special Tax Bonds	Retiree Benefits Fund	OPEB Trust Fund
Deposits and investments	$ 2,126,809	$ 664,036	$ 9,930,812	$ 120,303,546
Accounts receivable	-	-	1,406,585	-
Prepaids	-	-	529,223	-
Total assets	$ 2,126,809	$ 664,036	11,866,620	120,303,546
LIABILITIES				
Accounts payable	$ -	$ -	29,726	1,380,390
Due to bondholders	-	664,036	-	-
Due to student groups	2,126,809	-	-	-
Total liabilities	$ 2,126,809	$ 664,036	29,726	1,380,390
NET POSITION				
Restricted for postemployment benefits			$ 11,836,894	$ 118,923,156

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2020

	Trust Funds	
	Retiree Benefits Fund	OPEB Trust Fund
ADDITIONS		
Investment income	$ 540,897	$ 5,988,822
Investment gains (losses)	-	1,324,082
Total Additions	540,897	7,312,904
DEDUCTIONS		
Administrative expenses	-	446,028
Benefit payments	5,890,843	10,830,000
Total Deductions	5,890,843	11,276,028
Change in net position	(5,349,946)	(3,963,124)
Net position - July 1, 2019	17,186,840	122,886,280
Net position - June 30, 2020	$ 11,836,894	$ 118,923,156

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orange 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 Governing Board of the component units is essentially the same as the Governing Board 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 Orange Schools Financing Corporation (the "Corporation") financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

District-Wide Financial Statements (continued)
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 funds are aggregated and reported as nonmajor funds.

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 Special Reserve Fund for Other Than Capital Outlay which does not currently meet the definition of a special revenue fund as it is not composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the Fund is being reported within the General Fund.

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

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.

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.

Charter Schools Special Revenue Fund: This fund may be used by authorizing the District to account separately for the operating activities of District-operated charter schools that would otherwise be reported in the authorizing District's general fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

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

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

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

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

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

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).

Debt Service Fund for Blended Component Units: This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Debt Service Fund: This fund is used for the accumulation of resources for and the retirement of principal and interest on certificates of participation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Proprietary Funds: These funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

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

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

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

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

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

OPEB Trust Fund: This fund exists to account for the financial activity of the Futuris Trust, which is more fully described in note 8.

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 and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual bases of accounting for reporting its assets and liabilities.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Description	Estimated Lives
Buildings and improvements	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. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. 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.

7. 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.

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. 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
The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The effective dates of the following pronouncements are postponed by 18 months:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

GASB pronouncements which will be effective in future periods, are as follows:

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)

   - The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

   Earlier application is encouraged and is permitted by topic.

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	$	244,816,347
Proprietary funds		18,152,217
Governmental activities		262,968,564
Fiduciary funds		133,025,203
Total deposits and investments	$	395,993,767

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

Cash on hand and in banks	$	2,562,116
Cash in revolving fund		135,000
Cash collections awaiting deposit		1,177,708
Investments		392,118,943
Total deposits and investments	$	395,993,767

Pooled Funds

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

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

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

Custodial Credit Risk – Deposits

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

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

As of June 30, 2020, $1,961,092 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Interest Rate Risk
The District's investment does not limit investment maturities. The Superintendent or his/her designee shall have the responsibility for all decisions and activities performed under the District's investment policy, under the discretion of the Board. Maturities of investments held at June 30, 2020, consist of the following:

		Maturity			
	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	$ 265,060,816	$ 265,060,816	$ -	Uncategorized	N/A
US Bank Money Market	666,714	666,714	-	Level 2	N/A
Zion Bank Money Market	1,031,514	1,031,514	-	Level 1	N/A
Benefit Trust Company:					
Mutual Fund - Fixed Income	109,368,075	109,368,075	-	Level 2	N/A
Mutual Fund - Domestic Equity	9,733,150	9,733,150	-	Level 2	N/A
Mutual Fund - International Equity	4,450,693	4,450,693	-	Level 2	N/A
Mutual Fund - Real Estate	1,807,981	1,807,981	-	Level 2	N/A
Total Investments	$ 392,118,943	$ 392,118,943	$ -		

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

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

Mutual Fund - Fixed Income	83%
Mutual Fund - Domestic Equity	7%
Zion Bank Money Market	1%

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds					Proprietary Fund	Fiduciary Funds
	General Fund	Building Fund	Special Res. Cap. Outlay Projects	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Retiree Benefit Fund
Federal Government:							
Categorical aid programs	$ 5,973,622	$ -	$ -	$ 649,845	$ 6,623,467	$ -	$ -
State Government:							
LCFF	8,675,530	-	-	391,405	9,066,935	-	-
Lottery	1,266,245	-	-	60,809	1,327,054	-	-
Other state resources	2,278,035	-	-	95,740	2,373,775	-	-
Local:							
Interest	189,364	122,554	20,105	39,735	371,758	17,722	5,164
Other local resources	859,716	-	-	170,136	1,029,852	-	1,401,421
Total	$ 19,242,512	$ 122,554	$ 20,105	$ 1,407,670	$ 20,792,841	$ 17,722	$ 1,406,585

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2020, consisted of the following:

	Due From Other Funds				
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Total
General Fund	$ -	$ 557,486	$ 557,486	$ 82,659	$ 640,145
Special Reserve Fund for Capital Outlay	341	4,572,764	4,573,105	252	4,573,357
Non-Major Governmental Funds	1,387,006	1,255	1,388,261	7,180	1,395,441
Self-Insurance Fund	140,622	2,413	143,035	-	143,035
Total	$ 1,527,969	$ 5,133,918	$ 6,661,887	$ 90,091	$ 6,751,978

General Fund due to Charter School Fund for P2 in-lieu revenue and STRS DBS refund	$ 372,610
General Fund due to Child Development Fund for payroll taxes	295
General Fund due to Cafeteria Fund for negative student account balance and payroll taxes	111,136
General Fund due to Deferred Maintenance Fund for partial annual contribution	73,445
General Fund due to Self-Insurance Fund for employee benefits	82,659
Charter School Fund due to Cafeteria Fund for negative student account balance	1,255
Charter School Fund due to General Fund for payroll taxes and miscellaneous expenditures	339,379
Charter School Fund due to Self-Insurance Fund for employee benefits	1,183
Adult Education Fund due to General Fund for payroll taxes and indirect cost	602
Child Development Fund due to General Fund for payroll taxes and indirect cost	88,161
Child Development Fund due to Self-Insurance Fund for employee benefits	5,997
Cafeteria Fund due to General Fund for payroll taxes and indirect cost	838,381
Deferred Maintenance Fund due to General Fund for shade structure at Villa Park Elementary School	15,000
Capital Facilities due to General Fund for administrative fees on collecting developer fees	94,650
Special Reserve Fund for Capital Outlay due to General Fund for payroll taxes	341
Special Reserve Fund for Capital Outlay due to Deferred Maintenance Fund for district match	4,572,764
Special Reserve Fund for Capital Outlay due to Self-Insurance Fund for employee benefit	252
Debt Service Fund due to General Fund for RDA services	10,833
Self-Insurance Fund due to General Fund for payroll taxes and bank charges	140,622
Self-Insurance Fund due to Charter School Fund for payroll taxes	2,413
Total	$ 6,751,978

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2020, consisted of the following:

General Fund transfer to Cafeteria Fund for use taxes and negative student account balance	$ 101,665
Charter School Fund transfer to Cafeteria Fund for negative student account balance	1,255
Charter School Fund transfer to debt service fund for COP payment	610,697
Debt Service Fund transfer to General Fund for consulting cost on RDA pass-through	10,833
Special Reserve Fund transfer to Deferred Maintenance Fund for district match	4,572,764
Total	$ 5,297,214

NOTE 5 – FUND BALANCES

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 100,000	$ -	$ -	$ 35,000	$ 135,000
Inventories	90,151	-	-	100,267	190,418
Prepaid expenditures	979	-	-	-	979
Total Nonspendable	191,130	-	-	135,267	326,397
Restricted:					
Categorical programs	2,767,524	-	-	54,806	2,822,330
Adult education program	-	-	-	3,083	3,083
Child development program	-	-	-	613,667	613,667
Food service program	-	-	-	55,845	55,845
Capital projects	-	108,392,095	12,278,178	6,253,132	126,923,405
Debt service	-	-	-	18,563,409	18,563,409
Total Restricted	2,767,524	108,392,095	12,278,178	25,543,942	148,981,739
Committed:					
Deferred maintenance program	-	-	-	9,489,045	9,489,045
Total Committed	-	-	-	9,489,045	9,489,045
Assigned:					
Non-Resident tuition	84,295	-	-	-	84,295
School Site/ department donations	1,453,483	-	-	-	1,453,483
College and career carryover	427,053	-	-	-	427,053
Mandate discretionary carryover	37,112	-	-	-	37,112
Donations/ department carryovers	1,251,897	-	-	-	1,251,897
Credential support contracts	5,525,000	-	-	-	5,525,000
LCFF supplemental	4,249,343	-	-	-	4,249,343
Textbook and program carryover	4,228,981	-	-	-	4,228,981
Attract & retain students	4,300,000	-	-	-	4,300,000
FY21-FY23 STRS/ PERS increases	147,494	-	-	-	147,494
Building fund debt service (charter)	-	-	-	1,027,860	1,027,860
Reserve for economic uncertainties (charter)	-	-	-	1,971,742	1,971,742
Total Assigned	21,704,658	-	-	2,999,602	24,704,260
Unassigned:					
Reserve for economic uncertainties	8,846,221	-	-	-	8,846,221
Remaining unassigned balances	44,511,575	-	-	-	44,511,575
Total Unassigned	53,357,796	-	-	-	53,357,796
Total	$ 78,021,108	$ 108,392,095	$ 12,278,178	$ 38,167,856	$ 236,859,237

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	$ 19,082,424	$ -	$ -	$ 19,082,424
Construction in progress	47,061,033	81,133,653	14,833,745	113,360,941
Total capital assets not being depreciated	66,143,457	81,133,653	14,833,745	132,443,365
Capital assets being depreciated:				
Improvement of sites	11,362,942	4,582,279	-	15,945,221
Buildings	230,260,729	9,775,868	-	240,036,597
Equipment	16,700,212	783,623	-	17,483,835
Total capital assets being depreciated	258,323,883	15,141,770	-	273,465,653
Accumulated depreciation for:				
Improvement of sites	(10,080,985)	(203,018)	-	(10,284,003)
Buildings	(73,143,478)	(4,247,499)	-	(77,390,977)
Equipment	(12,689,888)	(858,663)	-	(13,548,551)
Total accumulated depreciation	(95,914,351)	(5,309,180)	-	(101,223,531)
Total capital assets being depreciated, net	162,409,532	9,832,590	-	172,242,122
Governmental activity capital assets, net	$ 228,552,989	$ 90,966,243	$ 14,833,745	$ 304,685,487

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	$ 3,245,254
Instruction supervision and administration	175,760
Instruction library, media, and technology	95,585
School site administration	378,292
Home-to-school transportation	158,068
Food services	166,165
All other pupil services	217,567
Centralized data processing	29,437
All other general administration	139,475
Plant services	664,954
Ancillary services	32,699
Community services	5,924
Total depreciation expense	$ 5,309,180

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

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

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 188,000,000	$ -	$ 7,615,000	$ 180,385,000	$ 2,520,000
Unamortized issuance premium	6,882,885	-	245,088	6,637,797	-
Total - Bonds	194,882,885	-	7,860,088	187,022,797	2,520,000
Certificates of Participation:					
Principal repayments	9,620,000	-	220,000	9,400,000	225,000
Unamortized issuance premium	441,708	-	17,669	424,039	17,668
Total - Certificates of Participation	10,061,708	-	237,669	9,824,039	242,668
Direct Borrowings and Private Placements:					
COPs - 2012 Site Lease Agreement	18,863,215	-	3,311,831	15,551,384	3,534,790
Retirement health benefits funding bonds	76,765,000	33,595,000	45,795,000	64,565,000	2,060,000
Capital leases	6,410,051		608,710	5,801,341	660,749
Compensated absences	4,111,766	564,960	-	4,676,726	-
Claims liability	6,420,000	705,000	-	7,125,000	-
Totals	$ 317,514,625	$ 34,864,960	$ 57,813,298	$ 294,566,287	$ 9,018,207

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund. Payments for the certificates of participation are made in the Debt Service Fund for Blended Component Units. Payments for the retirement health benefits funding bonds are made in the General Fund. Payments for capital lease obligations are made in the General Fund. Payments for the site lease agreement are made in the Debt Service Fund. Payments for compensated absences are typically paid by the fund for which the employee worked. Payments for claims liability are made by the Internal Service Fund.

A. General Obligation Bonds

On November 8, 2016, the voters of the District authorized the issuance and sale of $288,000,000 principal amount of bonds to finance specific acquisition and construction costs and pay the costs of issuance associated with the bonds. The bonds are general obligations of the District, and the County is empowered and obligated to levy ad valorem taxes upon all property within the District subject to taxation for the payment of interest on and principal of the Bonds when due.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
Series A	6/7/2018	8/1/2047	3.00-5.00%	$ 188,000,000	$ 188,000,000	$ -	$ 7,615,000	$ 180,385,000

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

A. General Obligation Bonds (continued)

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

Fiscal Year	Principal	Interest	Total
2020-2021	$ 2,520,000	$ 6,979,625	$ 9,499,625
2021-2022	-	6,916,625	6,916,625
2022-2023	-	6,916,625	6,916,625
2023-2024	370,000	6,907,375	7,277,375
2024-2025	680,000	6,881,125	7,561,125
2025-2030	9,020,000	33,398,875	42,418,875
2030-2035	21,535,000	29,868,900	51,403,900
2035-2040	37,435,000	24,999,888	62,434,888
2040-2045	59,185,000	16,266,900	75,451,900
2045-2048	49,640,000	3,085,200	52,725,200
	$ 180,385,000	$ 142,221,138	$ 322,606,138

B. Certificates of Participation

2018 Certificates of Participation

On June 14, 2018, the Orange Schools Financing Corporation issued 2018 Financing Certificates of Participation in the amount of $9,620,000. The certificates have a final maturity to occur on September 1, 2043, with interest rates ranging from 3.00% to 5.00%. Proceeds from the sale of the certificates were used to finance the construction and installation of the Fred Kelly Stadium at El Modena High School. At June 30, 2020, the principal balance outstanding was $9,400,000.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	$ 225,000	$ 383,006	$ 608,006
2021-2022	235,000	373,806	608,806
2022-2023	245,000	364,206	609,206
2023-2024	255,000	354,206	609,206
2024-2025	265,000	342,481	607,481
2025-2030	1,550,000	1,493,031	3,043,031
2030-2035	1,970,000	1,058,544	3,028,544
2035-2040	2,405,000	626,747	3,031,747
2040-2044	2,250,000	166,750	2,416,750
	$ 9,400,000	$ 5,162,778	$ 14,562,778

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

C. Direct Placements

Certificates of Participation - 2012 Site Lease Agreement
On September 27, 2012, the District entered into a site lease agreement with the Orange Schools Financing Corporation, which is considered a direct borrowing. In order to finance and refinance the construction and modernization of various school facilities throughout the District, the District had previously leased the land and improvements constituting Canyon High School and Canyon Hills School to the Corporation under a site lease dated as of May 1, 2003, and the District had concurrently leased the property back from the Corporation under a separate sub-lease agreement. The original lease agreement was evidenced by 2003 certificates of participation which were issued in the original principal amount of $53 million.

Under the 2012 site lease agreement, the District and the Corporation have agreed to refinance the 2003 certificates. In order to raise the funds needed for that purpose, the Corporation has assigned certain of its rights under the site lease and the lease, including the right to receive and enforce payment of the lease payments which are payable by the District under the lease, to Banc of America Public Capital Corporation under an assignment agreement dated as of September 27, 2012. The District is authorized to enter into a lease-leaseback agreement with the Corporation under Section 17456 of the California Education Code. Additional borrowing of $38,069,161 was issued to refinance the outstanding certificates. At June 30, 2020, deferred amount on refunding was $254,617. In the event of default, the Corporation may exercise any and all remedies available under law or granted to it under the lease.

Under the site lease agreement, the District will make lease payments as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	$ 3,534,790	$ 366,692	$ 3,901,482
2021-2022	3,761,316	276,907	4,038,223
2022-2023	4,004,660	181,353	4,186,013
2023-2024	4,250,618	79,699	4,330,317
	$ 15,551,384	$ 904,651	$ 16,456,035

D. Retirement Health Benefits Funding Bonds
In May 2008, the District issued $94,765,000 in retirement health benefits funding bonds (the "Bonds"). The Bonds were issued at an aggregate price of $93,763,635 (representing the principal amount of $94,765,000 less issuance costs of $1,001,365). The Bonds have a final maturity to occur on May 1, 2043, with a variable interest rate (initially at 3.562%). Proceeds from the sale of bonds were used to refinance a portion of the District's obligation to pay retirement medical and other health benefits owed to eligible employees and former employees pursuant to certain labor contracts.

On December 19, 2019, the District issued $33,595,000 of Taxable Retirement Health Benefits Refunding Bonds, Series 2019A. The bonds bear fixed interest rates ranging between 1.80% and 2.85% with annual maturities from May 1, 2020 through May 1, 2033. The net proceeds of $33,071,986 (after issuance costs of $426,610 and original issuance discount of $110,404) were used to advance refund $32,965,000 of the District's outstanding 2008 Retirement Health Benefits Funding Bonds.

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

D. Retirement Health Benefits Funding Bonds (continued)

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
2008	5/8/2008	5/1/2043	Variable	$ 94,765,000	$ 76,765,000	$ -	$ 43,795,000	$ 32,970,000
2019A	12/19/2019	5/1/2033	1.80% - 2.85%	33,595,000	-	33,595,000	2,000,000	31,595,000
					$ 76,765,000	$ 33,595,000	$ 45,795,000	$ 64,565,000

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	$ 2,060,000	$ 1,698,165	$ 3,758,165
2021-2022	2,220,000	1,660,055	3,880,055
2022-2023	2,265,000	1,616,765	3,881,765
2023-2024	2,310,000	1,572,896	3,882,896
2024-2025	2,355,000	1,521,822	3,876,822
2025-2030	12,645,000	6,746,724	19,391,724
2030-2035	14,580,000	4,962,088	19,542,088
2035-2040	17,265,000	2,721,146	19,986,146
2040-2043	8,865,000	458,174	9,323,174
	$ 64,565,000	$ 22,957,834	$ 87,522,834

E. Capital Leases

The District has entered into agreements to lease various facilities and equipment valued at $10.5 million. The agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Year Ending June 30,	Lease Payment
2021	$ 918,285
2022	943,144
2023	969,246
2024	996,652
2025	1,025,429
2026 - 2028	2,012,317
Total minimum	$ 6,865,073
Less interest	(1,063,732)
Total	$ 5,801,341

The District will receive no sub-lease revenue from the agreements.

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

F. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $11,300,000 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Pension Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ (31,025,120)	$ 264,594	$ 6,648,838	$ (79,162)
MPP Program	1,354,442	-	-	(174,860)
Total	$ (29,670,678)	$ 264,594	$ 6,648,838	$ (254,022)

The details of each plan are as follows:

District Plan

Plan Description

The Orange Unified School District's defined benefit OPEB plan, Orange Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the district through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. Employees and retirees may choose from a number of CVT Anthem Blue Cross medical/Rx PPO combinations, as well as several Kaiser North HMO options, Delta Dental, and VSP Vision. The District has created a Retirement Board of Authority to oversee and run the Futuris Trust. Benefit Trust Company is the qualified Discretionary Trustee for asset and fiduciary management and investment policy development. Keenan & Associates is the Program Coordinator for the Futuris Trust providing oversight of the Futuris Program and guidance to the District. Audited financial statements of the Futuris Trust OPEB long-term investment fund can be obtained from the District.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Benefits Provided
The eligibility requirements and benefits provided by the Plan are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

	Certificated	Classified	Management
Applies to	Hired after 6/30/92	Hired after 6/30/92	Hired after 6/30/92
Benefit types provided	Medical, dental, and vision	None	Medical, dental, and vision
Duration of benefits	To age 65		To age 65
Required service	15 years		5 years
Minimum age	55		55
Dependent coverage	No		No
District contribution %	100%***		100%***
District cap	Active single cap		Active single cap

	Certificated	Classified	Management
Applies to	Hired before 7/1/92	Hired before 7/1/92	Hired before 7/1/92
Benefit types provided	Medical, dental, and vision	Medical, dental, and vision	Medical, dental, and vision
Duration of benefits	Lifetime*	Lifetime*	Lifetime*
Required service	15 years**	10 years	5 years
Minimum age	55	50	50/55
Dependent coverage	Yes (family)	Spouse****	Spouse****
District contribution %	100%	100%***	100%***
District cap	Same as active	Same as active	Same as active

* Employees have been offered various cash and benefit options in exchange for lifetime benefits. Some employees have accepted these offers and the valuation reflects the elected option.
** Employees hired prior to 7/1/91 had a 10 year service requirement and post-65 benefits limited to Medicare Supp
*** Retiree contributions required for dependent coverage, where applicable
**** Plus disabled dependent, where applicable

Employees Covered by Benefit Terms
At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	824
Active employees	1,386
Total	2,210

Net OPEB Asset
The District's net OPEB asset of $31,025,120 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (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:

Valuation date	June 30, 2019
Inflation	2.75 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

Discount Rate
The discount rate of 5% was based on assumed long-term return on employer assets. The assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to *California Government Code* Sections 53601 et seq.

Mortality Rates
Pre-retirement mortality rates were based on the 2009 CalSTRS Mortality tables for certificated participants on the 2014 CalPERS Active Mortality for Miscellaneous Employees.

Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Fiduciary Net Position *	Net OPEB Liability (Asset)
Balance at July 1, 2019	$ 92,269,600	$ 122,886,280	$ (30,616,680)
Changes for the year:			
Service cost	2,025,591	-	2,025,591
Interest	4,517,658	-	4,517,658
Expected investment income	-	5,988,822	(5,988,822)
Investment gains (losses)	-	1,324,082	(1,324,082)
Administrative expenses	-	(446,028)	446,028
Differences between expected and actual experience	(84,813)	-	(84,813)
Benefit payments	(5,773,647)	(5,773,647)	-
Net changes	684,789	1,093,229	(408,440)
Balance at June 30, 2020	$ 92,954,389	$ 123,979,509	$ (31,025,120)

**Fiduciary net position includes $5,056,353 that is reported in the Retiree Benefits Fund in these financial statements.*

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate
The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset 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	Net OPEB Asset
1% decrease	$ (23,414,308)
Current discount rate	$ (31,025,120)
1% increase	$ (37,734,053)

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Changes in the Net OPEB Asset (continued)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates
The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset 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		Net OPEB Asset
1% decrease	$	(38,369,704)
Current trend rate	$	(31,025,120)
1% increase	$	(22,993,697)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the District recognized OPEB expense of $(79,162). In addition, at June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	3,117,368
Changes of assumptions		-		1,737,664
Net difference between projected and actual earnings on OPEB plan investments		264,594		1,793,806
Total	$	264,594	$	6,648,838

The deferred outflows and inflows of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The deferred 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 measurement period is 8.9 years.

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

Year Ended June 30:		Deferred Outflows of Resources		Deferred Inflows of Resources
2021	$	132,297	$	1,211,914
2022		132,297		1,211,914
2023		-		1,211,911
2024		-		967,063
2025		-		702,249
Thereafter		-		1,343,787
	$	264,594	$	6,648,838

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program

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

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

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

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

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

Total OPEB Liability
At June 30, 2020, the District reported a liability of $1,354,442 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined.

The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2020	**Fiscal Year Ending June 30, 2019**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net OPEB Liability	0.363710%	0.399537%	-0.035827%

For the year ended June 30, 2020, the District reported OPEB expense of $(174,860).

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

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

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

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380, or an average of 0.23% of the potentially eligible population (165,422).

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

Discount Rate
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the California State Treasurer.

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

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

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

Discount Rate	MPP OPEB Liability
1% decrease	$ 1,478,005
Current discount rate	$ 1,354,442
1% increase	$ 1,240,830

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	$ 1,234,207
Current trend rate	$ 1,354,442
1% increase	$ 1,492,233

NOTE 9 – PENSION PLANS

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 212,535,592	$ 54,223,133	$ 45,625,795	$ 29,834,498
CalPERS	103,192,861	24,118,024	5,597,760	22,633,365
Total	$ 315,728,453	$ 78,341,157	$ 51,223,555	$ 52,467,863

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

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

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

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

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

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

NOTE 9 – PENSION PLANS (continued)

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

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were $21,233,318.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

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

District's proportionate share of net pension liability	$	212,535,592
State's proportionate share of the net pension liability associated with the District		115,952,354
Total	$	328,487,946

For the year ended June 30, 2020, the District recognized pension expense of $29,834,498. In addition, the District recognized pension expense and revenue of $3,172,414 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 21,233,318	$ -
Net change in proportionate share of net pension liability	5,082,694	30,960,378
Difference between projected and actual earnings on pension plan investments	489,475	8,676,411
Changes of assumptions	26,881,107	-
Differences between expected and actual experience	536,539	5,989,006
Total	$ 54,223,133	$ 45,625,795

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 7,655,050	$ 8,462,357
2022	7,655,050	14,145,441
2023	7,655,050	8,540,011
2024	8,151,585	4,982,822
2025	936,539	4,383,399
Thereafter	936,541	5,111,765
Total	$ 32,989,815	$ 45,625,795

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

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

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

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The long-term investment rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

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

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

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 316,483,089
Current discount rate (7.10%)	212,535,592
1% increase (8.10%)	126,343,321

NOTE 9 – PENSION PLANS (continued)

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

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $16,174,229.

B. California Public Employees Retirement System (CalPERS)

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

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

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

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

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

NOTE 9 – PENSION PLANS (continued)

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

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were $9,800,692.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $103,192,861. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.354076%	0.369618%	-0.015542%

For the year ended June 30, 2020, the District recognized pension expense of $22,633,365. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,800,692	$ -
Net change in proportionate share of net pension liability	693,037	3,424,577
Difference between projected and actual earnings on pension plan investments	1,216,050	2,173,183
Changes of assumptions	4,912,301	-
Differences between expected and actual experience	7,495,944	-
Total	$ 24,118,024	$ 5,597,760

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 9,306,192	$ 835,263
2022	3,333,154	2,722,464
2023	1,285,932	1,121,245
2024	392,054	835,263
2025	-	83,525
Thereafter	-	-
Total	$ 14,317,332	$ 5,597,760

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

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

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

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
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.

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%)	$ 148,745,724
Current discount rate (7.15%)	103,192,861
1% increase (8.15%)	65,403,615

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

D. Payables to the Pension Plans
At June 30, 2020, the District reported payables of $2,002,641 and $775,690 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2020, the District had commitments with respect to unfinished capital projects of approximately $67.0 million.

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

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

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

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

NOTE 11 – RISK MANAGEMENT

Property and Liability
The District is a member of the Southern California Regional Liability Excess Fund (SoCal ReLiEF), public entity risk pools. The District pays an annual premium for its property liability coverage. The relationships between the District, the pool is such that they are not component units of the District for financial reporting purposes.

SoCal ReLiEF has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between SoCal ReLiEF and the District are included in these statements. Audited financial statements are generally available from the respective entities.

NOTE 11 – RISK MANAGEMENT (continued)

Workers' Compensation
For fiscal year 2019-20, the District was self-funded for workers compensation for the first $250,000 of each loss, with excess coverage provided through a commercial excess insurance policy up to a maximum limit of $25 million.

Employee Medical Benefits
The District has contracted with CalPERS to provide employee medical, dental and vision benefits.

Claims Liability
The District records an estimated liability for workers' compensation claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

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

	Workers' Compensation
Liability Balance, July 1, 2018	$ 5,612,000
Claims and changes in estimates	4,538,595
Claims payments	(3,730,595)
Liability Balance, June 30, 2019	6,420,000
Claims and changes in estimates	4,659,941
Claims payments	(3,954,941)
Liability Balance, June 30, 2020	$ 7,125,000
Assets available to pay claims at June 30, 2020	$ 18,260,030

NOTE 12 – ADJUSTMENTS FOR RESTATEMENT

The beginning governmental net position at July 1, 2019 on the Statement of Activities has been restated for the following:

To record the MPP OPEB liability balance at June 30, 2019	$ (1,642,187)
To accrue the unmatured interest on long-term debt as of June 30, 2019.	(3,170,799)
Total	$ (4,812,986)

Required Supplementary Information

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ORANGE UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
LCFF sources	$ 236,955,049	$ 236,787,827	$ 236,787,826	$ (1)
Federal sources	12,839,631	14,907,066	12,443,733	(2,463,333)
Other state sources	37,759,359	41,603,826	43,820,508	2,216,682
Other local sources	5,435,047	10,723,467	21,071,995	10,348,528
Total Revenues	292,989,086	304,022,186	314,124,062	10,101,876
Expenditures				
Current:				
Certificated salaries	127,323,265	126,056,553	123,539,170	2,517,383
Classified salaries	48,622,405	48,518,725	46,032,660	2,486,065
Employee benefits	77,752,523	80,258,839	81,687,460	(1,428,621)
Books and supplies	17,352,953	15,143,216	11,209,407	3,933,809
Services and other operating expenditures	31,228,887	29,689,276	24,160,200	5,529,076
Transfers of indirect costs	(528,926)	(569,269)	(498,601)	(70,668)
Capital outlay	-	1,597,646	1,124,072	473,574
Other Outgo	7,937,543	7,696,567	17,645,708	(9,949,141)
Total Expenditures	309,688,650	308,391,553	304,900,076	3,491,477
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,699,564)	(4,369,367)	9,223,986	13,593,353
Other Financing Sources and Uses				
Interfund transfers in	-	3,680,000	3,589,520	(90,480)
Interfund transfers out	(50,100)	(3,710,136)	(3,662,375)	47,761
Other financing sources (uses)	-	-	523,014	523,014
Total Other Financing Sources and Uses	(50,100)	(30,136)	450,159	480,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,749,664)	(4,399,503)	9,674,145	14,073,648
Fund Balances, July 1, 2019	63,167,189	68,346,963	68,346,963	-
Fund Balances, June 30, 2020	$ 46,417,525	$ 63,947,460	$ 78,021,108	$ 14,073,648

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS						
District's proportion of the net pension liability	0.2353%	0.2540%	0.2450%	0.2580%	0.2650%	0.2470%
District's proportionate share of the net pension liability	$ 212,535,592	$ 233,507,872	$ 226,807,912	$ 208,815,385	$ 178,209,476	$ 144,402,030
State's proportionate share of the net pension liability associated with the District	115,952,354	133,694,833	134,178,738	118,892,375	94,305,803	87,095,715
Totals	$ 328,487,946	$ 367,202,705	$ 360,986,650	$ 327,707,760	$ 272,515,279	$ 231,497,745
District's covered-employee payroll	$ 128,054,165	$ 132,092,488	$ 131,030,288	$ 129,820,436	$ 122,389,401	$ 110,062,230
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.97%	176.80%	173.10%	160.85%	145.61%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	70%	70%	74%	77%
CalPERS (School Pool)						
District's proportion of the net pension liability	0.3541%	0.3700%	0.3680%	0.3760%	0.3750%	0.3490%
District's proportionate share of the net pension liability	$ 103,192,861	$ 98,551,857	$ 87,784,702	$ 74,270,848	$ 55,217,596	$ 39,608,976
District's covered-employee payroll	$ 49,329,432	$ 48,600,692	$ 46,740,641	$ 45,081,117	$ 41,508,908	$ 36,626,106
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.19%	202.80%	187.80%	164.75%	133.03%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

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

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS						
Contractually required contribution	$ 21,233,318	$ 20,847,218	$ 18,425,894	$ 16,157,373	$ 13,515,699	$ 10,589,609
Contributions in relation to the contractually required contribution	21,233,318	20,847,218	18,425,894	16,157,373	13,515,699	10,589,609
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 124,171,452	$ 128,054,165	$ 132,092,488	$ 131,030,288	$ 129,820,436	$ 122,389,401
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	13.95%	12.33%	10.41%	8.65%
CalPERS (School Pool)						
Contractually required contribution	$ 9,800,692	$ 8,909,882	$ 7,549,236	$ 6,393,311	$ 5,240,840	$ 4,817,989
Contributions in relation to the contractually required contribution	9,800,692	8,909,882	7,549,236	6,393,311	5,240,840	4,817,989
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 49,696,729	$ 49,329,432	$ 48,600,692	$ 46,710,641	$ 45,081,117	$ 41,508,908
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.687%	11.625%	11.607%

* *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.*

ORANGE UNIFIED SCHOOL DISTRICT

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

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18
Total OPEB liability			
Service cost	$ 2,025,591	$ 1,921,862	$ 1,870,425
Interest	4,517,658	4,492,477	4,435,360
Difference between expected and actual experience	-	(3,248,750)	-
Changes in assumptions	(84,813)	(2,241,336)	-
Benefit payments	(5,773,647)	(6,556,697)	(3,675,794)
Net change in total OPEB liability	684,789	(5,632,444)	2,629,991
Total OPEB liability - beginning	92,269,600	97,902,044	95,272,053
Total OPEB liability - ending	$ 92,954,389	$ 92,269,600	$ 97,902,044
Plan fiduciary net position			
Contributions - employer	$ -	$ 2,275,056	$ 4,854,486
Net investment income	7,312,904	7,451,519	-
Benefit payments	(5,773,647)	(6,556,697)	(3,675,794)
Administrative expense	(446,028)	(436,759)	(449,007)
Net change in plan fiduciary net position	1,093,229	2,733,119	729,685
Plan fiduciary net position - beginning	122,886,280	120,153,161	119,423,476
Plan fiduciary net position - ending	$ 123,979,509	$ 122,886,280	$ 120,153,161
District's net OPEB liability (asset) - ending	$ (31,025,120)	$ (30,616,680)	$ (22,251,117)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	133.38%	133.18%	122.73%
Covered-employee payroll	$ 190,483,880	$ 185,385,771	$ 192,607,861
Net OPEB liability (asset) as a percentage of covered-employee payroll	-16.29%	-16.52%	-11.55%

Notes to Schedule:
The implicit subsidy assumption was increased from 20.2% to 46.8%.

** 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.*

ORANGE UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2018-19	**2017-18**	**2016-17**
District's proportion of net OPEB liability	0.3637%	0.3995%	0.3903%
District's proportionate share of net OPEB liability	$ 1,354,442	$ 1,529,303	$ 1,642,187
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	0.40%	0.01%

Notes to Schedule:

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

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

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

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

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

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

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

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Supplementary Information

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

The Orange Unified School District is located in the central portion of Orange County. The District operates under a locally-elected seven-member board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. Founded in 1953, the District encompasses nearly 108 square miles, including the cities of Orange, Villa Park, and portions of Santa Ana, Anaheim, and Garden Grove. Starting from an original school building in 1972, the District has grown to 26 elementary schools (K-6), one magnet school (K-8), three middle schools (7-8), two charter schools (7-8), four high schools (9-12), a school for students with special needs, a community day school, and one continuation high school. A Career Education Center houses the District's Regional Occupational Program and Child Development Center. The District educates approximately 27,000 students.

GOVERNING BOARD

Member	Office	Term Expires
John Ortega	President	2020
Kathryn A. Moffat	Vice President	2022
Kris Erickson	Clerk	2022
Alexia Deligianni-Brydges, Ed.D.	Member	2020
Brenda Lebsack [1]	Member	2020
Rick Ledesma	Member	2022
Andrea Yamasaki	Member	2022

DISTRICT ADMINISTRATORS

Gunn Marie Hansen, Ph.D.,
Superintendent

Cathleen Corella,
Assistant Superintendent, Educational Services

David Rivera,
Assistant Superintendent, Business Services/CBO

Ernest Gonzalez,
Assistant Superintendent, Human Resources

[1] Resigned, effective August 4, 2020.

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2020

Orange Unified School District		
	Second Period Report	**Annual Report**
	Certificate No. 7962F557	Certificate No. 332DE508
Regular ADA & Extended Year:		
TK/Grades K-3	7,737.66	7,737.66
Grades 4-6	5,851.92	5,851.92
Grades 7-8	1,996.64	1,996.64
Grades 9-12	8,196.61	8,196.61
Total Regular ADA	23,782.83	23,782.83
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	3.03	3.03
Grades 4-6	4.13	4.13
Grades 7-8	5.67	5.67
Grades 9-12	24.82	24.82
Total Special Education-Nonpublic, Nonsectarian Schools	37.65	37.65
Community Day School:	23.91	25.70
Total ADA	23,844.39	23,846.18

El Rancho Charter School		
	Second Period Report	**Annual Report**
	Certificate No. A9F37461	Certificate No. 15DAD849
Regular ADA & Extended Year:		
Grades 7-8	1,160.32	1,160.32
Special Education-Nonpublic, Nonsectarian Schools:		
Grades 7-8	2.66	2.66
Total ADA	1,162.98	1,162.98
Total Classroom- Based ADA	1,159.93	1,159.93

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

Orange Unified School District

Grade Level	Required	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	49,880	180	Complied
Grade 1	50,400	50,460	180	Complied
Grade 2	50,400	50,460	180	Complied
Grade 3	50,400	50,474	180	Complied
Grade 4	54,000	54,010	180	Complied
Grade 5	54,000	54,010	180	Complied
Grade 6	54,000	54,010	180	Complied
Grade 7	54,000	54,398	180	Complied
Grade 8	54,000	54,398	180	Complied
Grade 9	64,800	65,021	180	Complied
Grade 10	64,800	65,021	180	Complied
Grade 11	64,800	65,021	180	Complied
Grade 12	64,800	65,021	180	Complied

El Rancho Charter School

Grade Level	Required	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Grade 7	54,000	63,852	180	Complied
Grade 8	54,000	63,486	180	Complied

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021 [2]	2020 [3]	2019	2018
Revenues and other financing sources	$ 306,148,922	$ 318,236,596	$ 298,381,903	$ 285,444,673
Expenditures	312,152,866	304,900,076	289,050,901	289,394,282
Other uses and transfers out	3,670,400	3,662,375	-	-
Total outgo	315,823,266	308,562,451	289,050,901	289,394,282
Change in fund balance (deficit)	(9,674,344)	9,674,145	9,331,002	(3,949,609)
Ending fund balance	$ 68,346,764	$ 78,021,108	$ 68,346,963	$ 59,015,961
Available reserves [1]	$ 53,092,133	$ 53,357,796	$ 52,414,435	$ 44,729,599
Available reserves as a percentage of total outgo	16.8%	17.3%	18.1%	15.5%
Total long-term debt	$ 601,276,533	$ 610,294,740	$ 649,574,354	$ 637,289,914
Average daily attendance at P-2	N/A	23,844	24,276	24,834

The General Fund balance has increased overall over the past two years by $19,005,147. The fiscal year 2020-21 adopted budget projects a decrease of $9,674,344. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in only one of the past three years, but anticipates incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has decreased by $26,995,174 over the past two years.

Average daily attendance has decreased by 990 over the past two years. No ADA will be reported in 2020-21.

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

[2] Revised Final Budget September, 2020.

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

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

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	$ 1,589	
School Breakfast Program - Especially Needy	10.553	13526	688,868	
National School Lunch Program	10.555	13523	2,917,648	
Summer Feeding Option	10.555	13523	1,762,778	
USDA Donated Foods	10.555	13391	607,171	
Total Child Nutrition Cluster				$ 5,978,054
Forest Reserve Funds	10.665	10044		19,206
Total U.S. Department of Agriculture				5,997,260
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		4,734,575
Title II, Part A, Supporting Effective Instruction	84.367	14344		704,032
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084		586,695
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		337,829
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	5,386,319	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	36,006	
Special Ed: IDEA Preschool Local Entitlement, Part B, Section 611	84.027A	13682	20,000	
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	130,792	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	282,622	
Preschool Staff Development	84.173A	13431	904	
Special Ed: Supporting Inclusive Practices	84.027A	13693	20,000	
Special Ed: Alternate Dispute Resolution	84.173A	13007	14,469	
Total Special Education Cluster				5,891,112
Early Intervention Grants, Part C	84.181	23761		86,305
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		225,263
Indian Education	84.060	10011		17,887
COVID-Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536		927,782
Total U.S. Department of Education				13,511,480
Total Expenditures of Federal Awards				$ 19,508,740

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

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

Charter School		Inclusion in Financial
Name	Number	Statements
Santiago Middle School	0066	Not included
El Rancho Charter School	0445	Included
Orange County Classical Academy*	2094	N/A

*Began classes on September 1, 2020.

NOTE 1 – PURPOSE OF SCHEDULES

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

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

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

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

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2020.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 18,580,958
Differences between Federal Revenues and Expenditures:		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	927,782
Total Schedule of Expenditures of Federal Awards		$ 19,508,740

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

Other Independent Auditors' Reports

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

Board of Education
Orange Unified School District
Orange, 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 Orange Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Orange Unified School District's basic financial statements, and have issued our report thereon dated January 19, 2021.

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

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

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

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

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

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Purpose of this Report

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

Nigro & Nigro, PC

Murrieta, California
January 19, 2021

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

Board of Education
Orange Unified School District
Orange, California

Report on Compliance for Each Major Federal Program
We have audited Orange 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 Orange Unified School District's major federal programs for the year ended June 30, 2020. Orange 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 Orange 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 Orange 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 Orange Unified School District's compliance.

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

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Report on Internal Control Over Compliance

Management of Orange 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 Orange Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Nigro & Nigro, PC

Murrieta, California
January 19, 2021

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Orange Unified School District
Orange, California

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

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

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study or nonclassroom-based instruction because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Orange Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Nigro & Nigro, PC

Murrieta, California
January 19, 2021

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A
84.367	Title II, Part A
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2019-20.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

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

ORANGE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

There were no findings or questioned costs for the year ended June 30, 2019.