TUSTIN UNIFIED SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2023

TUSTIN UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2023
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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Tustin Unified School District
Tustin, California

Report on the Audit of the Financial Statements

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

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

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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Change in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 4, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC.

Murrieta, California
December 4, 2023

This discussion and analysis of Tustin Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $71.7 million.
- Governmental expenses were about $347.8 million. Revenues were about $419.4 million.
- The District acquired over $30.4 million in new capital assets during the year.
- Governmental funds increased by $54.4 million, or 19.0%.
- Reserves for the General Fund increased by $1.3 million or 14.3 %. Revenues were $385.1 million, and expenditures and other financing uses were $337.1 million.

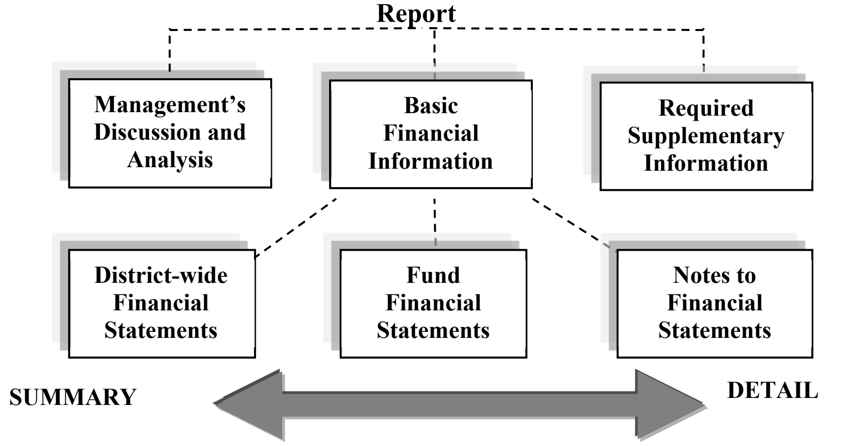
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
- 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 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.
  - The *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

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

Figure A-1. Organization of Tustin 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, health and welfare benefits, and property and liability claims.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2023, than it was the year before increasing 14.2% to $575.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2023	2022	(Decrease)
Assets			
Current assets	$ 395,268,227	$ 325,680,578	$ 69,587,649
Capital assets	636,952,282	625,160,286	11,791,996
Total assets	1,032,220,509	950,840,864	81,379,645
Total Deferred outflows of resources	103,101,297	70,920,601	32,180,696
Liabilities			
Current liabilities	49,943,382	34,602,823	15,340,559
Long-term liabilities	457,862,261	362,240,067	95,622,194
Total liabilities	507,805,643	396,842,890	110,962,753
Total Deferred inflows of resources	52,137,931	121,199,004	(69,061,073)
Net position			
Net investment in capital assets	470,467,784	464,861,752	5,606,032
Restricted	121,410,043	151,957,276	(30,547,233)
Unrestricted	(16,499,595)	(113,099,457)	96,599,862
Total net position	$ 575,378,232	$ 503,719,571	$ 71,658,661

Changes in net position, governmental activities. The District's total revenues increased 21.4% to $419.4 million (See Table A-2). The increase is due primarily to an increase in LCFF revenue and additional state grants.

The total cost of all programs and services increased 19.5% to $347.8 million. The District's expenses are predominantly related to educating and caring for students, 73.8%. The purely administrative activities of the District accounted for just 4.7% of total costs. A significant contributor to the increase in costs was spending of additional grants on instruction-related services.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase
	2023	2022	(Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 3,369,570	$ 2,471,999	$ 897,571
Operating grants and contributions	119,420,130	76,038,885	43,381,245
Capital grants and contributions	1,832,935	6,137,213	(4,304,278)
General Revenues:			
Property taxes	192,170,958	175,980,852	16,190,106
Federal and state aid not restricted	89,051,150	74,204,300	14,846,850
Other general revenues	13,592,264	10,695,647	2,896,617
Total Revenues	419,437,007	345,528,896	73,908,111
Expenses			
Instruction-related	212,134,930	179,723,118	32,411,812
Pupil services	44,520,153	35,420,409	9,099,744
Administration	16,190,134	15,733,249	456,885
Plant services	42,148,521	27,020,038	15,128,483
All other activities	32,784,608	33,126,202	(341,594)
Total Expenses	347,778,346	291,023,016	56,755,330
Increase (decrease) in net position	$ 71,658,661	$ 54,505,880	$ 17,152,781
Total Net Position	$ 575,378,232	$ 503,719,571	

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 $339.6 million, which is above last year's ending fund balance of $285.2 million. The primary cause of the increased fund balance is a surplus in the General and Cafeteria Funds.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2022	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2023
Fund					
General Fund	$ 139,781,295	$ 385,121,774	$ 331,058,450	$ (6,060,022)	$ 187,784,597
Student Activity Special Revenue Fund	907,785	2,818,105	2,574,247	-	1,151,643
Adult Education Fund	2,124,641	1,277,946	1,285,130	-	2,117,457
Child Development Fund	1,073,687	4,637,378	3,781,774	-	1,929,291
Cafeteria Fund	6,575,756	16,023,980	11,268,617	-	11,331,119
Deferred Maintenance Fund	9,807,051	2,652,812	2,891,184	-	9,568,679
Special Reserve Fund (Other Than Capital Outlay)	8,305,835	124,332	-	-	8,430,167
Building Fund	2,951,053	1,162,057	13,243,737	20,000,000	10,869,373
Capital Facilities Fund	13,561,830	2,983,393	4,014,519	-	12,530,704
County School Facilities Fund	47,499,818	2,516,602	13,678,601	-	36,337,819
Special Reserve Fund (Capital Outlay)	33,821,700	(338,855)	132,401	6,090,422	39,440,866
Capital Outlay Fund for Blended Component Units	6,602,546	124,101	4,625,389	448,326	2,549,584
Bond Interest and Redemption Fund	12,209,527	17,316,665	15,641,261	1,672,120	15,557,051
	$ 285,222,524	$ 436,420,290	$ 404,195,310	$ 22,150,846	$ 339,598,350

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

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 $105.3 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $17.6 million to reflect revised cost estimates.
- Other non-personnel expenses – increased $27.9 million to revise operational cost estimates.

The District's final budget for the General Fund anticipated that revenues would exceed expenditures by about $54.0 million, and the actual results for the year show the same.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23 the District had invested $30.4 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 and amortization expense for the year was approximately $18.6 million.

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

	Governmental Activities		Variance Increase
	2023	2022	(Decrease)
Land	$ 176,147,527	$ 176,147,527	$ -
Improvement of sites	35,069,280	36,277,845	(1,208,565)
Buildings	384,915,421	395,394,092	(10,478,671)
Equipment	8,249,955	8,049,275	200,680
Construction in progress	30,302,026	9,291,547	21,010,479
Subscription assets	2,268,073	-	2,268,073
Total	$ 636,952,282	$ 625,160,286	$ 11,791,996

Long-Term Debt

At year-end the District had $457.9 million in long term debt – an increase of 26.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		Variance Increase
	2023	2022	(Decrease)
General obligation bonds	$ 179,903,455	$ 169,852,133	$ 10,051,322
Workers' compensation claims	2,066,578	4,890,327	(2,823,749)
Compensated absences	2,386,827	2,208,163	178,664
Subscription based IT arrangements	14,835	-	14,835
Other postemployment benefits	31,484,653	34,032,392	(2,547,739)
Net pension liability	242,005,913	151,257,052	90,748,861
Total	$ 457,862,261	$ 362,240,067	$ 95,622,194

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget
The Legislature passed an initial budget package on June 15, 2023. The Legislature's budget package adopted LAO estimates of local property tax revenues, which resulted in an increase to the Proposition 98 guarantee by $2.1 billion across 2022-23 and 2023-24. The legislative package used this additional funding primarily to help maintain previously approved programs. Relative to the May Revision, the Legislature's budget package also: (1) reallocated projected unspent funds in child care and State Preschool programs to increase provider rates and reduce family fees beginning October 1, 2023; (2) included a slightly different mix of reductions as the Governor from climate change-related packages (although a similar overall level); (3) restored $1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and added flexibility to allow local agencies to use this funding for operations; (4) rejected the Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, instead using lease revenue bond financing to pay for these costs; and (5) accelerated the time line to spend funds for MCO tax-related augmentations to around four years from eight to ten years. The Legislature passed an amended budget act and associated trailer bills on June 27, 2023 and June 29, 2023.

K-14 Education
Funds Modest Increase in School and Community College Funding
The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2022-23, the guarantee is down $3 billion (2.7 percent) compared with the estimates made in June 2022. The decrease in the guarantee is primarily attributable to lower General Fund revenue estimates, somewhat offset by higher local property tax revenue. For 2023-24, the guarantee increases by $953 million (0.9 percent) relative to the revised 2022-23 level. For 2023-24, projected increases in property tax revenue offset declines associated with lower General Fund revenue estimates.

Increase in Required Reserve Deposits
In certain circumstances, the Constitution requires the state to deposit some of the available Proposition 98 funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the state deposits a total of $7.5 billion into this account across the 2021-22 through 2023-24 period—an increase of $1.3 billion compared with the estimates made in June 2022. The higher required deposits are primarily due to revenue estimates from the administration that have capital gains accounting for a larger share of General Fund revenue over the period.

Provides Large COLA to School and Community College Districts
In addition to the required reserve deposits, the budget package has several ongoing and one-time increases. The largest ongoing augmentation is $4.8 billion to provide an 8.22 percent COLA for K-12 and community college programs. In K-12, the budget also includes $300 million ongoing targeted to low-income schools with relatively high rates of student mobility within the school year, as well as $250 million one time for literacy coaches and reading specialists.

Budget Has Notable K-14 Structural Gap
The 2023-24 Proposition 98 spending level is not sufficient to fully fund all ongoing spending authorized in the budget package. To cover these costs, the budget package uses $1.9 billion in one-time, prior-year funding to fund the primary school and community college funding formulas ($1.6 billion for schools and $290 million for California Community Colleges). Using one-time funds to cover ongoing costs creates a deficit in the Proposition 98 budget the following year.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Funds School Facilities Grants
The 2022-23 budget package provided $1.3 billion one-time non-Proposition 98 General Fund to cover the state share for new construction and modernization projects under the School Facility Program (SFP). The 2022-23 budget package also included intent language to provide an additional $2.1 billion in 2023-24 and $875 million in 2024-25. The budget provides about $2 billion to the SFP in 2023-24, which is $100 million less than the previously intended augmentation, and continues to assume an additional $875 million will be provided in 2024-25. The budget also delays the intended $550 million non-Proposition 98 General Fund increase to the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program from 2023-24 to 2024-25.

All of these factors were considered in preparing the Tustin Unified School District budget for the 2023-24 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 the District's Business Office at (714) 730-7301.

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 360,199,551
Accounts receivable	34,110,346
Inventories	535,797
Prepaid expenses	422,533
Capital assets:	
Non-depreciable assets	206,449,553
Depreciable assets	677,081,236
Less accumulated depreciation	(248,846,580)
Subscription assets	2,658,030
Less accumulated amortization	(389,957)
Total assets	1,032,220,509
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	7,604,520
Deferred outflows from OPEB	5,027,048
Deferred outflows from pensions	90,469,729
Total deferred outflows of resources	103,101,297
LIABILITIES	
Accounts payable	35,742,001
Accreted interest	2,283,206
Unearned revenue	11,918,175
Noncurrent liabilities:	
Due or payable within one year	13,207,274
Due in more than one year:	
Other than OPEB and pensions	171,164,421
Total OPEB liability	31,484,653
Net pension liability	242,005,913
Total liabilities	507,805,643
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	10,908,655
Deferred inflows from pensions	41,229,276
Total deferred inflows of resources	52,137,931
NET POSITION	
Net investment in capital assets	470,467,784
Restricted for:	
Capital projects	12,530,704
Debt service	15,557,051
Categorical programs	86,227,522
Student activities	1,151,643
Workers' compensation claims	5,943,123
Unrestricted	(16,499,595)
Total net position	$ 575,378,232

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instructional services:					
Instruction	$ 181,181,710	$ 221,776	$ 67,331,900	$ 1,832,935	$ (111,795,099)
Instruction-related services:					
Supervision of instruction	11,215,711	204,852	2,802,976	-	(8,207,883)
Instructional library, media and technology	1,875,153	-	25,063	-	(1,850,090)
School site administration	17,862,356	3,896	790,472	-	(17,067,988)
Pupil support services:					
Home-to-school transportation	7,142,576	-	21,117	-	(7,121,459)
Food services	10,214,663	7,361	15,864,354	-	5,657,052
All other pupil services	27,162,914	68,037	11,652,076	-	(15,442,801)
General administration services:					
Data processing services	3,129,097	-	-	-	(3,129,097)
Other general administration	13,061,037	17,642	3,100,459	-	(9,942,936)
Plant services	42,148,521	1,660,862	6,586,200	-	(33,901,459)
Ancillary services	5,814,929	-	7,496,902	-	1,681,973
Community services	1,860,334	1,785	936,550	-	(921,999)
Enterprise activities	(2,940,762)	-	-	-	2,940,762
Interest on long-term debt	10,645,300	1,183,359	-	-	(9,461,941)
Other outgo	(1,168,450)	-	2,812,061	-	3,980,511
Depreciation (unallocated)	18,183,300	-	-	-	(18,183,300)
Amortization (unallocated)	389,957	-	-	-	(389,957)
Total Governmental Activities	$ 347,778,346	$ 3,369,570	$ 119,420,130	$ 1,832,935	(223,155,711)

General Revenues:	
Property taxes	192,170,958
Federal and state aid not restricted to specific purpose	89,051,150
Interest and investment earnings	3,261,917
Transfers	448,327
Miscellaneous	9,882,020
Total general revenues	294,814,372
Change in net position	71,658,661
Net position - July 1, 2022	503,719,571
Net position - June 30, 2023	$ 575,378,232

TUSTIN UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Building Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 216,576,328	$ 14,338,583	$ 7,044,914	$ 114,253,673	$ 352,213,498
Accounts receivable	24,359,217	42,105	5,728,356	3,956,209	34,085,887
Due from other funds	482,762	2,400,207	-	6,098,905	8,981,874
Inventories	443,565	-	-	92,232	535,797
Prepaid expenditures	422,533	-	-	-	422,533
Total Assets	$ 242,284,405	$ 16,780,895	$ 12,773,270	$ 124,401,019	$ 396,239,589
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 16,102,278	$ 5,909,940	$ 10,223,686	$ 3,356,759	$ 35,592,663
Due to other funds	8,640,893	1,582	-	487,926	9,130,401
Unearned revenue	11,757,791	-	-	160,384	11,918,175
Total Liabilities	36,500,962	5,911,522	$ 10,223,686	4,005,069	56,641,239
Fund Balances					
Nonspendable	1,206,098	-	-	92,232	1,298,330
Restricted	70,808,357	10,869,373	2,549,584	120,683,871	204,911,185
Committed	113,931,717	-	-	(380,153)	113,551,564
Assigned	9,645,221	-	-	-	9,645,221
Unassigned	10,192,050	-	-	-	10,192,050
Total Fund Balances	205,783,443	10,869,373	2,549,584	120,395,950	339,598,350
Total Liabilities and Fund Balances	$ 242,284,405	$ 16,780,895	$ 12,773,270	$ 124,401,019	$ 396,239,589

Total fund balances - governmental funds		$ 339,598,350
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, subscription assets, accumulated depreciation and amortization.		
Capital assets at historical cost:	883,530,789	
Accumulated depreciation:	(248,846,580)	
Subscription assets	2,658,030	
Accumulated amortization	(389,957)	
Net:		636,952,282
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:		7,604,520
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:		(2,283,206)
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	179,903,455	
Subscription based IT arrangements	14,835	
Compensated absences	2,386,827	
Net pension liability	242,005,913	
Other postemployment benefits	31,484,653	
Total		(455,795,683)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions	90,469,729	
Deferred inflows of resources relating to pensions	(41,229,276)	
Net:		49,240,453
In governmental funds, deferred outflows and deferred inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	5,027,048	
Deferred inflows of resources relating to OPEB	(10,908,655)	
		(5,881,607)
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:		5,943,123
Total net position - governmental activities		$ 575,378,232

TUSTIN UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 253,276,066	$ -	$ -	$ -	$ 253,276,066
Federal sources	26,108,378	-	-	9,337,847	35,446,225
Other state sources	89,689,514	-	-	13,740,976	103,430,490
Other local sources	18,824,960	1,162,057	124,101	24,156,391	44,267,509
Total Revenues	387,898,918	1,162,057	124,101	47,235,214	436,420,290
EXPENDITURES					
Current:					
Instruction	207,558,575	-	-	2,438,595	209,997,170
Instruction-related services:					
Supervision of instruction	12,648,051	-	-	14,300	12,662,351
Instructional library, media and technology	1,752,737	-	-	-	1,752,737
School site administration	19,014,552	-	-	749,921	19,764,473
Pupil support services:					
Home-to-school transportation	7,141,408	-	-	-	7,141,408
Food services	63,844	-	-	11,015,549	11,079,393
All other pupil services	29,400,584	-	-	136,728	29,537,312
Ancillary services	3,283,424	-	-	2,574,247	5,857,671
Community services	399,013	-	-	1,479,459	1,878,472
General administration services:					
Data processing services	3,134,126	-	-	-	3,134,126
Other general administration	12,469,926	-	-	-	12,469,926
Plant services	29,156,990	-	-	-	29,156,990
Transfers of indirect costs	(399,827)	-	-	399,827	-
Capital Outlay	4,194,523	13,035,337	4,625,389	17,845,931	39,701,180
Intergovernmental transfers	4,116,508	-	-	80,732	4,197,240
Debt Service:					
Principal	15,200	-	-	10,520,000	10,535,200
Interest	-	-	-	5,121,261	5,121,261
Issuance costs	-	208,400	-	-	208,400
Total Expenditures	333,949,634	13,243,737	4,625,389	52,376,550	404,195,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	53,949,284	(12,081,680)	(4,501,288)	(5,141,336)	32,224,980
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	-	6,090,422	6,090,422
Interfund transfers out	(6,090,422)	-	-	-	(6,090,422)
Issuance of debt - general obligation bonds	-	20,000,000	-	-	20,000,000
Premiums on issuances of debt	-	-	-	1,672,120	1,672,120
Premiums from issuance of debt	30,400	-	-	-	30,400
Transfers from fiduciary fund	-	-	448,326	-	448,326
Total Other Financing Sources and Uses	(6,060,022)	20,000,000	448,326	7,762,542	22,150,846
Net Change in Fund Balances	47,889,262	7,918,320	(4,052,962)	2,621,206	54,375,826
Fund Balances, July 1, 2022	157,894,181	2,951,053	6,602,546	117,774,744	285,222,524
Fund Balances, June 30, 2023	$ 205,783,443	$ 10,869,373	$ 2,549,584	$ 120,395,950	$ 339,598,350

TUSTIN 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, 2023

Total net change in fund balances - governmental funds		$ 54,375,826
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation and amortization expense for the period is:		
Expenditures for capital outlay	30,368,951	
Depreciation expense	(18,183,300)	
Amortization expense	(389,957)	
Net:		11,795,694
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(3,698)
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, including premiums were:		(21,702,155)
In governmental funds, repayments of long-term debt and refundings are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment and refundings of the principal portion of long-term debt were:		10,535,200
In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period that it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		1,100,798
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(245,748)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions were:		(527,573)
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Deferred amounts on refunding exceeded the amount amortized during the year by:		(797,567)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		14,365,787
The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.		2,940,761
In the statement of activities, certain liabilities such as compensated absences and workers' compensation claims liabilities, are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*).		(178,664)
Change in net position of governmental activities		$ 71,658,661

	Governmental Activities Internal Service Fund
ASSETS	
Current:	
Deposits and investments	$ 7,986,053
Accounts receivable	24,459
Due from other funds	148,527
Total assets	8,159,039
LIABILITIES	
Current:	
Accounts payable and accrued liabilities	149,338
Noncurrent:	
Estimated liability for open claims and IBNR	2,066,578
Total liabilities	2,215,916
NET POSITION	
Restricted	$ 5,943,123

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 2,488,917
Other local revenue	164,765
Total operating revenues	2,653,682
OPERATING EXPENSES	
Change in estimate for claims	(2,823,749)
Services and other operating expenditures	2,646,538
Total operating expenses	(177,211)
Operating Income (Loss)	2,830,893
NON-OPERATING REVENUES	
Interest income	109,868
Change in net position	2,940,761
Net position, July 1, 2022	3,002,362
Net position, June 30, 2023	$ 5,943,123

TUSTIN UNIFIED SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2023

		Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from in-district premiums	$	2,340,390
Payments to vendors and suppliers		273,265
Payments and changes in estimates on insurance claims		(2,823,749)
Receipts from pending claims		233,509
Net cash provided (used) by operating activities		23,415
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		89,773
Net increase (decrease) in cash		113,188
Cash, July 1, 2022		7,872,865
Cash, June 30, 2023	$	7,986,053
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	2,830,893
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets, liabilities, and deferred outflows of resources:		
Receivables, net		68,744
Due from other funds		(148,527)
Estimated liability for open claims and IBNRs		(2,823,749)
Accounts payable and accrued liabilities		96,054
Total adjustments		(2,807,478)
Net cash (used) by operating activities	$	23,415

		Debt Service Fund for Special Tax Bonds
ASSETS		
Deposits	$	10,923,211
Investments		22,521,847
Due from other funds		10,223,686
Total Assets		43,668,744
LIABILITIES		
Due to other funds		5,706,480
Total Liabilities		5,706,480
NET POSITION		
Restricted	$	37,962,264

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fiduciary Net Position
June 30, 2023

	Debt Service Fund for Special Tax Bonds
ADDITIONS	
Local property taxes	$ 20,121,703
Interest	346,253
All other transfers in	3,184,676
Total Additions	23,652,632
DEDUCTIONS	
General administration	95,611
Debt service-interest	12,467,232
Debt service-principal	8,740,000
All other transfers out	448,326
Total Deductions	21,751,169
Change in fiduciary net position	1,901,463
Net position - July 1, 2022, as originally stated	39,714,099
Adjustment for restatement - (note 13)	(3,653,298)
Net position - July 1, 2022, as restated	36,060,801
Net position - June 30, 2023	$ 37,962,264

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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.

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

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

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category – *governmental* 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 Deferred Maintenance Fund and a Special Reserve Fund for Other Than Capital Outlay Projects. The Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund. The District also maintains a Section 125 Employee Benefit Plan to hold funds that are collected on behalf of employees for benefits which is now reported in governmental funds.

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

Capital 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

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

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

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

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

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

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.).

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

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

Self-Insurance Fund: This fund is used to account for funds set aside for the District's workers' compensation, medical and dental insurance programs. This fund is reported as an internal service fund on the District's Annual Financial and Budget report. The District only maintains workers compensation in this fund.

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

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

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

The District-wide 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 been included as revenue and expenditures as required under generally accepted accounting principles.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

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

7. Leases

Lessee:

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

Lessor:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases (continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

8. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

9. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. 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.

11. 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, Deferred Inflows of Resources, and Net Position (continued)

12. 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 is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

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

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

F. Minimum Fund Balance Policy

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

The District's minimum reserve standard is 3% as per the recommended level for districts with less than 30,000 ADA (California Department of Education) or not less than two months of General Fund operating expenditures, or up to 17% of General Fund expenditures and other financing uses.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	$	352,213,498
Proprietary funds		7,986,053
Governmental activities		360,199,551
Fiduciary funds		33,445,058
Total deposits and investments	$	393,644,609

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

Cash on hand and in banks	$	1,541,643
Cash in revolving fund		150,000
Investments		391,952,966
Total deposits and investments	$	393,644,609

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Orange County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Orange County Treasurer for the entire portfolio (in relation to the amortized cost of that polio). The balance available for withdrawal is based on the accounting records maintained by the Orange County Treasurer, which is recorded on the amortized basis.

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).

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
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, 2023, $1,734,347 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2023, consist of the following:

		Maturity			
	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
U.S. Bank First American Treasury Obligations	$ 33,445,058	$ 33,445,058		Level 2	AAA
U.S. Bank Treasury Money Market Funds	1,295	1,295		Level 2	AAA
County Pool	358,506,613	358,506,613		Uncategorized	N/A
	$ 391,952,966	$ 391,952,966	$ -		

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, 2023, 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, 2023, the District had the following investments that represents more than five percent outside of the County Pool.

U.S. Bank First American Treasury Obligations	99.996%

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consisted of the following:

	General Fund	Building Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:						
Categorical aid programs	$ 5,984,654	$ -	$ -	$ 72,575	$ 6,057,229	$ -
Food service	-	-	-	1,731,247	1,731,247	-
Special Education	5,244,713	-	-		5,244,713	-
State Government:						
LCFF sources	1,820,280	-	-		1,820,280	-
EPA	1,113,451	-	-		1,113,451	-
Lottery	1,356,559	-	-		1,356,559	-
Categorical aid programs	7,125,795	-	-	820,389	7,946,184	-
Food service	-	-	-	1,044,003	1,044,003	-
Special Education	149,295	-	-		149,295	-
Local:						
Interest	742,475	42,105	21,876	285,447	1,091,903	24,459
Other local	821,995	-	5,706,480	2,548	6,531,023	-
Total	$ 24,359,217	$ 42,105	$ 5,728,356	$ 3,956,209	$ 34,085,887	$ 24,459

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2023, consisted of the following:

	Due From Other Funds				
	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Fund	Total
General Fund	$ -	$ 2,400,207	$ 6,098,905	$ 141,781	$ 8,640,893
Building Fund	1,410	-	-	172	1,582
Non-Major Governmental Funds	481,352	-	-	6,574	487,926
Total	$ 482,762	$ 2,400,207	$ 6,098,905	$ 148,527	$ 9,130,401

Cafeteria Special Revenue Fund due to General Fund for drivers, benefits and indirect costs	$ 305,368
General Fund due to Special Reserve Fund for Capital Outlay Projects for redevelopment funds	6,090,422
General Fund due to Self Insurance Fund for workers comp liabilities	141,781
General Fund due to Building Fund for reserves	2,400,207
Miscellaneous Due to/from	192,623
Total	$ 9,130,401

Interfund Transfers In/Out

Interfund transfers in/out of other funds during the 2022-23 year consisted of the following:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are expended.

General Fund transfer to Special Reserve Fund for Capital Outlay Projects for RDA funds and special revenue transfer	$ 6,090,422
Debt Service Fund for Blended Component Units to Capital Project Fund for Blended Component Units to balance cash	448,326
Total	$ 6,538,748

NOTE 5 – FUND BALANCES

At June 30, 2023, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Capital Projects Fund for Component Units	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 150,000	$ -	$ -	$ -	$ 150,000
Stores inventories	443,565	-	-	92,232	535,797
Prepaid expenditures	422,533	-	-	-	422,533
All others	190,000	-	-	-	190,000
Total Nonspendable	1,206,098	-	-	92,232	1,298,330
Restricted:					
Categorical programs	70,678,357	-	-	1,949,004	72,627,361
Adult education program	-	-	-	2,139,042	2,139,042
Food service program	-	-	-	11,238,887	11,238,887
Capital projects	-	10,869,373	2,549,584	88,648,244	102,067,201
Debt service	-	-	-	15,557,051	15,557,051
Student activity	-	-	-	1,151,643	1,151,643
Section 125	130,000	-	-	-	130,000
Total Restricted	70,808,357	10,869,373	2,549,584	120,683,871	204,911,185
Committed:					
Vacation liability	2,398,439	-	-	-	2,398,439
Local protection reserve	33,695,449	-	-	-	33,695,449
Facilities maintenance reserve	9,000,262	-	-	-	9,000,262
Technology reserve	6,900,000	-	-	-	6,900,000
Classroom furniture reserve	100,000	-	-	-	100,000
One-time discretionary	37,866,950	-	-	-	37,866,950
Textbook adoption	6,000,000	-	-	-	6,000,000
Anthem HRA balance reserve	20,000	-	-	-	20,000
Future school opening	100,000	-	-	-	100,000
Health and welfare wellness program carryover	123,715	-	-	-	123,715
School local program carryover	1,019,865	-	-	-	1,019,865
Declining enrollment reserve	3,000,000	-	-	-	3,000,000
LCAP & District priority	4,023,474	-	-	-	4,023,474
MAA/Medi-Cal program	1,194,122	-	-	-	1,194,122
Health and welfare insurance rebate	1,524,738	-	-	-	1,524,738
2022-23 GASB 31 FMV adjustment	(2,203,360)	-	-	(380,153)	(2,583,513)
Other commitments	9,168,063	-	-	-	9,168,063
Total Committed	113,931,717	-		(380,153)	113,551,564
Assigned:					
Deferred maintenance program	9,645,221	-	-	-	9,645,221
Total Assigned	9,645,221	-	-	-	9,645,221
Unassigned:					
Reserve for economic uncertainties	10,192,050	-	-	-	10,192,050
Total Unassigned	10,192,050	-	-	-	10,192,050
Total	$ 205,783,443	$ 10,869,373	$ 2,549,584	$ 120,395,950	$ 339,598,350

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022	Additions	Retirements	Balance, June 30, 2023
Capital assets not being depreciated:				
Land	$ 176,147,527	$ -	$ -	$ 176,147,527
Construction in progress	9,291,547	22,483,241	1,472,762	30,302,026
Total capital assets not being depreciated	185,439,074	22,483,241	1,472,762	206,449,553
Capital assets being depreciated:				
Improvement of sites	67,244,677	1,832,049	79,500	68,997,226
Buildings	572,923,020	2,872,043	-	575,795,063
Equipment	30,480,870	1,996,350	188,273	32,288,947
Total capital assets being depreciated	670,648,567	6,700,442	267,773	677,081,236
Accumulated depreciation for:				
Improvement of sites	(30,966,832)	(3,040,614)	(79,500)	(33,927,946)
Buildings	(177,528,928)	(13,350,714)	-	(190,879,642)
Equipment	(22,431,595)	(1,791,972)	(184,575)	(24,038,992)
Total accumulated depreciation	(230,927,355)	(18,183,300)	(264,075)	(248,846,580)
Subscription assets:				
IT subscriptions	-	2,658,030	-	2,658,030
Accumulated amortization for:				
IT subscriptions	-	(389,957)	-	(389,957)
Total subscription assets, net	-	2,268,073	-	2,268,073
Governmental activity capital assets, net	$ 625,160,286	$ 13,268,456	$ 1,476,460	$ 636,952,282

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

Changes in long-term debt for the fiscal year ended June 30, 2023, were as follows:

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 158,970,000	$ 20,000,000	$ 10,520,000	$ 168,450,000	$ 11,995,000
Unamortized Issuance Premium	10,882,133	1,672,120	1,100,798	11,453,455	1,212,274
Total - GO Bonds	169,852,133	21,672,120	11,620,798	179,903,455	13,207,274
Workers' Compensation Claims	4,890,327	-	2,823,749	2,066,578	-
Compensated Absences	2,208,163	178,664	-	2,386,827	-
SBITAs	-	30,035	15,200	14,835	-
Totals	$ 176,950,623	$ 21,880,819	$ 14,459,747	$ 184,371,695	$ 13,207,274

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation will be paid for by the fund for which the employee worked. Workers' compensation claims will be paid by the Self-Insurance Fund. SBITAs are paid from the General Fund.

A. General Obligation Bonds

Measure G

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 5, 2002, at which more than 55% of the voters authorized the issuance and sale of $80 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools and to fund a portion of the cost of the construction of a new elementary school. As of March 31, 2013, all bond proceeds had been spent for Measure G.

Measure L

On November 4, 2008, an election was held in the District, whereby the voters approved by a 58.5% of the vote Measure "L", which authorizes the District to issue up to $95 million of general obligation bonds. The bonds will be used to acquire, construct, renovate, upgrade and provide repair of existing school facilities.

Build America Bonds

A portion of the Measure G and Measure L bonds is designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

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

A. General Obligation Bonds (continued)

Measure S
On November 6, 2012, a special election of the registered voters was held in School Facilities Improvement District No. 2012-1, at which more than the required 55% of voters authorized the issuance and sale of not to exceed $135 million principal amount of general obligation bonds of the District to upgrade classrooms, science labs, equipment, instructional technology, and infrastructure.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, $51.1 million of the defeased debt remains outstanding.

Each subseries of bonds constitute general obligations of the District, and will be secured by ad valorem taxes levied against taxable property with the boundaries of the applicable improvement district.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2023, deferred amounts on refunding were $7,604,520.

Below is a schedule of bonds issued and outstanding as of June 30, 2023.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Measure L:								
2008C	5/8/2013	2023	2.0% - 4.0%	$ 25,000,000	$ 1,315,000	$ -	$ 645,000	$ 670,000
2008D	2/18/2015	2038	3.0% - 3.375%	20,000,000	17,790,000	-	390,000	17,400,000
Measure S:								
2012A	3/14/2013	2023	2.0% - 5.0%	35,000,000	1,275,000	-	600,000	675,000
2012B	2/15/2018	2041	2.0% - 5.0%	20,000,000	12,490,000	-	2,855,000	9,635,000
2012C	2/8/2023	2032	4%-5.0%	20,000,000	-	20,000,000	-	20,000,000
Refunding Bonds:								
Refunding	1/28/2015	2032	2.0% - 5.0%	23,795,000	7,765,000	-	1,460,000	6,305,000
Refunding	4/6/2016	2029	5%	15,195,000	15,195,000	-	1,925,000	13,270,000
Refunding	4/6/2016	2037	2% - 5%	26,545,000	25,075,000	-	1,645,000	23,430,000
Refunding	12/21/2017	2035	4% - 5%	9,345,000	9,345,000	-	-	9,345,000
Refunding	12/21/2017	2035	4% - 5%	11,870,000	11,870,000	-	-	11,870,000
Refunding	3/11/2021	2031	0.157-1.754	11,910,000	11,730,000	-	300,000	11,430,000
Refunding	3/11/2021	2042	0.157%-2.649%	23,570,000	23,290,000	-	385,000	22,905,000
Refunding	3/11/2021	2037	0.157%-2.354%	22,045,000	21,830,000	-	315,000	21,515,000
				Totals	$ 158,970,000	$ 20,000,000	$ 10,520,000	$ 168,450,000

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

A. General Obligation Bonds (continued)

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

Fiscal Year	Principal	Interest	Total
2023-24	$ 11,995,000	$ 5,509,633	$ 17,504,633
2024-25	12,355,000	5,038,869	17,393,869
2025-26	12,735,000	4,558,069	17,293,069
2026-27	11,040,000	4,043,929	15,083,929
2027-28	10,215,000	3,657,480	13,872,480
2028-33	52,985,000	13,144,451	66,129,451
2033-38	36,395,000	5,500,102	41,895,102
2038-43	20,730,000	1,397,601	22,127,601
Totals	$ 168,450,000	$ 42,850,134	$ 211,300,134

B. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in a combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

The District recognizes a right-to-use subscription asset - an intangible asset – and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. At June 30, 2023 the principal amount owed is $14,835 and $365 interest.

C. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $197,665,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 30,466,573	$ 5,027,048	$ 10,908,655	$ 1,791,441
MPP Program	1,018,080	-	-	(214,546)
Totals	$ 31,484,653	$ 5,027,048	$ 10,908,655	$ 1,576,895

The details of each plan are as follows:

District Plan

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

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

Following is a description of the current retiree plan:

	Certificated Management	**Certificated**	**Classified**	**Classified Management**
Benefit types provided	Medical and dental	Medical and dental	Medical and dental	Medical and dental
Duration of benefits	To age 65	To age 65	To age 65	To age 65
Required service	5 years	5 years	10/8 years	10/8 years
Minimum age	50	50	50/55	50/55
Dependent coverage	No	No	No	No
District contribution %	100% of single rate after retiree contribution that varies by plan	100% of single rate after retiree contribution that varies by plan	100% of single rate after retiree contribution that varies by plan	100% of single rate after retiree contribution that varies by plan

Employees Covered by Benefit Terms
At July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	97
Active employees	1,632
Total	1,729

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

District Plan (continued)

Total OPEB Liability
The District's total OPEB liability of $30,466,573 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2022
Inflation	2.50 percent
Salary increases	3.00 percent
Healthcare cost trend rates	6.75 percent for 2023, 6.50 percent for 2024, 5.30 percent for 2025-30, 5.50 percent for 2031-40, 5.20 percent for 2041-50, 5.10 percent for 2051-69 5.00 percent for 2061-69, and 4.50 percent for 2070 and later years. Medicare: 4.50 percent for all years.

Discount Rate
The discount rate is 3.86 percent per year net of expenses based on an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/AC or higher.

The discount rate was based on the Bond Buyer 20 Bond Index.

Mortality Rates
Following are the tables the mortality assumptions are based upon.

2009 CalSTRS Mortality
The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

2014 CalPERS Retiree and Active Mortality for Miscellaneous Employees
The mortality assumptions are based on the 2014 CalPERS Retiree and Active Mortality for Miscellaneous Employees tables created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

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

District Plan (continued)

Mortality Rates (continued)

Following are the tables the retirement and turnover assumptions are based upon.

Preretirement Mortality

Certificated	Mortality Rates for active employees from CalSTRS Experience Analysis (2015-2018).
Classified	Preretirement Mortality Rates from CalPERS Experience Study (1997-2015).

Postretirement Mortality

Certificated	Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018).
Classified	Postretirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (1997-2015).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	$ 32,799,766
Changes for the year:	
Service cost	1,531,380
Interest	1,118,788
Differences between expected and actual experience	(4,345,073)
Changes of assumptions	411,033
Benefit payments	(1,049,321)
Net changes	(2,333,193)
Balance at June 30, 2023	$ 30,466,573

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

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

Discount Rate	OPEB Liability
1% decrease	$ 33,153,495
Current discount rate	$ 30,466,573
1% increase	$ 27,987,173

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

District Plan (continued)

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 26,930,252
Current trend rate	$ 30,466,573
1% increase	$ 34,587,001

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, the District recognized OPEB expense of $1,791,441. In addition, at June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,027,890
Changes of assumptions	5,027,048	4,880,765
Totals	$ 5,027,048	$ 10,908,655

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 1,111,111	$ 1,969,839
2025	1,111,111	1,969,839
2026	1,111,111	1,969,839
2027	1,111,110	1,904,970
2028	496,070	1,766,140
Thereafter	86,535	1,328,028
Totals	$ 5,027,048	$ 10,908,655

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

Medicare Premium Payment (MPP) Program

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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

As of June 30, 2022, 4,770 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, 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, 2023, the District reported a liability of $1,018,080 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, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. 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, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net OPEB Liability	0.309061%	0.309034%	0.000027%

For the year ended June 30, 2023, the District reported OPEB expense of $(214,546).

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2021 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, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

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

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

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

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

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

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the 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	$ 1,358,810
Current discount rate	1,018,080
1% increase	938,574

Sensitivity of the 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	$ 934,127
Current trend rate	1,018,080
1% increase	1,113,246

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, 2023, 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	$ 143,093,370	$ 36,406,865	$ 19,577,362	$ 2,767,579
CalPERS	98,912,543	54,062,864	21,651,914	13,565,531
Totals	$ 242,005,913	$ 90,469,729	$ 41,229,276	$ 16,333,110

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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

Benefits Provided

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

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 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, 2023, 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	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

NOTE 9 – PENSION PLANS (continued)

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

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

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

The contribution rates for each program for the year ended June 30, 2023, are presented above, and the District's total contributions were $25,922,803.

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

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	143,093,370
State's proportionate share of the net pension liability associated with the District		71,660,601
Total	$	214,753,971

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.205931%	0.205589%	0.000342%

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2023, the District recognized pension expense of $2,767,579. In addition, the District recognized pension expense and revenue of $(5,359,692) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 25,922,803	$ -
Net change in proportionate share of net pension liability	3,270,291	1,850,803
Difference between projected and actual earnings on pension plan investments	-	6,997,543
Changes of assumptions	7,096,390	-
Differences between expected and actual experience	117,381	10,729,016
Totals	$ 36,406,865	$ 19,577,362

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
2024	$ 6,924,690	$ 8,272,520
2025	1,039,176	8,292,176
2026	959,958	11,051,654
2027	959,958	(10,217,432)
2028	502,818	1,586,546
Thereafter	97,462	591,898
Totals	$ 10,484,062	$ 19,577,362

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

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

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

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

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

NOTE 9 – PENSION PLANS (continued)

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

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 243,025,616
Current discount rate (7.10%)	143,093,370
1% increase (8.10%)	60,119,562

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, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $11,495,850.

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, 2021 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided

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

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

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are presented above, and the total District contributions were $12,735,842.

NOTE 9 – PENSION PLANS (continued)

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

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $98,912,543. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.287461%	0.283742%	0.003719%

For the year ended June 30, 2023, the District recognized pension expense of $13,565,531. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 12,735,842	$ -
Net change in proportionate share of net pension liability	3,167,217	473,933
Difference between projected and actual earnings on pension plan investments	30,395,791	18,716,910
Changes of assumptions	7,316,988	-
Differences between expected and actual experience	447,026	2,461,071
Totals	$ 54,062,864	$ 21,651,914

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 3.9 years.

NOTE 9 – PENSION PLANS (continued)

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 12,101,895	$ 7,373,409
2025	11,498,094	7,286,740
2026	10,369,016	6,991,765
2027	7,358,017	-
2028	-	-
Thereafter	-	-
Totals	$ 41,327,022	$ 21,651,914

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

NOTE 9 – PENSION PLANS (continued)

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

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

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Discount Rate
The discount rate used to measure the total pension liability was 6.9%. 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 (5.9%)	$ 142,884,177
Current discount rate (6.9%)	98,912,543
1% increase (7.9%)	62,571,604

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, 2023, the District reported payables of $220,280 and $883,010 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

NOTE 10 – JOINT VENTURES

Effective July 1, 2021, the District joined ASCIP, a Joint Powers Authority (JPA) agency for the workers compensation program. All new claims since July 1, 2021 are 100% insured by ASCIP (Alliance of Schools for Cooperative Insurance Programs).

Open claims “tail-end claims” from prior to July 1, 2021 continues to be self-insured by the District and are being administered by ASCIP third party administrator, Athens Administrators. These open claims continue to be funded by the District for the first $750,000 of each loss, with excess coverage provided through a commercial excess insurance policy up to a maximum limit of $25 million.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2023, the District had commitments with respect to unfinished capital projects of approximately $11.3 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, 2023.

NOTE 12 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage. General and automobile liability coverage is $5 million with no deductible and property coverage is replacement cost with a $10,000 deductible. Excess coverage above these limits is provided by the Schools Excess Liability Fund (SELF) JPA. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers’ Compensation
For fiscal year 2022-23, the District was self-funded for workers compensation for the first $750,000 of each loss, with excess coverage provided through a commercial excess insurance policy up to a maximum limit of $25 million.

NOTE 12 – RISK MANAGEMENT (continued)

Employee Medical Benefits
The District has contracted with Anthem 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, 2020 to June 30, 2023:

	Workers' Compensation
Liability Balance, June 30, 2021	$ 4,890,327
Claims and changes in estimates	2,782,181
Claims payments	(2,782,181)
Liability Balance, June 30, 2022	4,890,327
Claims and changes in estimates	(177,212)
Claims payments	(2,646,537)
Liability Balance, June 30, 2023	$ 2,066,578
Assets available to pay claims at June 30, 2023	$ 8,159,039

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The July 1, 2022 balance on the Statement of Revenues, Expenditures, and Changes in Fiduciary Net Position decreased by $3,653,298. This restatement is to reflect accounts that were closed in prior year, but not reported.

Required Supplementary Information

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TUSTIN UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF sources	$ 220,656,471	$ 250,776,066	$ 250,776,066	$ -
Federal sources	26,688,880	42,515,359	26,108,378	(16,406,981)
Other State sources	49,655,839	97,535,610	89,689,514	(7,846,096)
Other Local sources	10,162,489	21,607,453	18,547,816	(3,059,637)
Total Revenues	307,163,679	412,434,488	385,121,774	(27,312,714)
Expenditures				
Current:				
Certificated salaries	125,711,453	138,461,320	138,346,878	114,442
Classified salaries	49,450,024	51,731,847	51,671,179	60,668
Employee benefits	82,502,013	85,056,883	82,357,663	2,699,220
Books and supplies	18,190,676	39,356,867	14,934,530	24,422,337
Services and other operating expenditures	32,733,672	35,948,291	35,862,247	86,044
Transfers of indirect cost	(376,789)	(399,827)	(399,827)	-
Capital outlay	817,615	4,154,072	4,154,072	-
Intergovernmental transfers	3,928,455	4,131,709	4,131,708	1
Total Expenditures	312,957,119	358,441,162	331,058,450	27,382,712
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,793,440)	53,993,326	54,063,324	69,998
Other Financing Sources and Uses				
Interfund transfers out	(3,500,000)	(6,090,422)	(6,090,422)	-
Proceeds from subscription leases	-	30,400	30,400	-
Total Other Financing Sources and Uses	(3,500,000)	(6,060,022)	(6,060,022)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,293,440)	47,933,304	48,003,302	69,998
Fund Balances, June 30, 2022	131,847,099	139,721,295	139,781,295	(60,000)
Fund Balances, June 30, 2023	$ 122,553,659	$ 187,654,599	187,784,597	$ 9,998
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Deferred Maintenance Fund			9,568,679	
Special Revenue Fund for Other than Capital Outlay			8,430,167	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 205,783,443	

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2021-22	2020-21	2019-20	2018-19	2017-18
CalSTRS					
District's proportion of the net pension liability	0.2059%	0.2056%	0.2062%	0.2026%	0.2012%
District's proportionate share of the net pension liability	$ 143,093,370	$ 93,559,676	$ 199,854,642	$ 182,941,161	$ 184,955,509
State's proportionate share of the net pension liability associated with the District	71,660,601	47,075,600	103,025,091	99,806,617	105,895,679
Totals	$ 214,753,971	$ 140,635,276	$ 302,879,733	$ 282,747,778	$ 290,851,188
District's covered-employee payroll	$ 121,122,932	$ 113,032,204	$ 113,026,140	$ 110,335,670	$ 108,075,662
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.14%	87.64%	176.82%	165.80%	171.14%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.2037%	0.2030%	0.2080%	0.1970%
District's proportionate share of the net pension liability	$ 188,405,426	$ 164,188,430	$ 140,033,920	$ 115,120,890
State's proportionate share of the net pension liability associated with the District	111,459,058	93,483,306	74,062,308	69,515,662
Totals	$ 299,864,484	$ 257,671,736	$ 214,096,228	$ 184,636,552
District's covered-employee payroll	$ 109,128,959	$ 102,439,748	$ 95,210,923	$ 88,358,545
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.64%	160.28%	147.08%	130.29%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

* *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.*

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2021-22	2020-21	2019-20	2018-19	2017-18
CalPERS					
District's proportion of the net pension liability	0.2875%	0.2837%	0.2737%	0.2765%	0.2783%
District's proportionate share of the net pension liability	$ 98,912,543	$ 57,697,376	$ 83,976,713	$ 80,573,260	$ 74,191,678
District's covered-employee payroll	$ 44,022,396	$ 40,567,536	$ 39,287,100	$ 37,936,502	$ 36,680,954
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	224.69%	135.50%	213.75%	212.39%	202.26%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.2701%	0.2632%	0.2573%	0.2517%
District's proportionate share of the net pension liability	$ 64,486,058	$ 51,982,163	$ 37,926,274	$ 28,574,079
District's covered-employee payroll	$ 34,400,173	$ 31,604,288	$ 28,447,600	$ 26,511,816
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.46%	164.48%	133.32%	107.78%
Plan fiduciary net position as a percentage of the total pension liability	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.*

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalSTRS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2022-23	2021-22	2020-21	2019-20	2018-19
CalSTRS					
Contractually required contribution	$ 28,522,857	$ 20,494,000	$ 18,254,701	$ 19,327,470	$ 17,962,646
Contributions in relation to the contractually required contribution	28,522,857	20,494,000	18,254,701	19,327,470	17,962,646
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 149,334,332	$ 121,122,932	$ 113,032,204	$ 113,026,140	$ 110,335,670
Contributions as a percentage of covered-employee payroll	19.10%	16.92%	16.15%	17.10%	16.28%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 15,595,318	$ 13,728,423	$ 10,991,785	$ 8,454,730
Contributions in relation to the contractually required contribution	15,595,318	13,728,423	10,991,785	8,454,730
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 108,075,662	$ 109,128,959	$ 102,439,748	$ 95,210,923
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

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

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalPERS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2022-23	2021-22	2020-21	2019-20	2018-19
CalPERS					
Contractually required contribution	$ 12,735,842	$ 10,085,531	$ 8,397,480	$ 7,747,809	$ 6,852,091
Contributions in relation to the contractually required contribution	12,735,842	10,085,531	8,397,480	7,747,809	6,852,091
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 50,200,402	$ 44,022,396	$ 40,567,536	$ 39,287,100	$ 37,936,502
Contributions as a percentage of covered-employee payroll	25.370%	22.910%	20.700%	19.721%	18.062%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 5,696,919	$ 4,777,496	$ 3,744,160	$ 3,348,567
Contributions in relation to the contractually required contribution	5,696,919	4,777,496	3,744,160	3,348,567
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 36,680,954	$ 34,400,173	$ 31,604,288	$ 28,447,600
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

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

TUSTIN UNIFIED SCHOOL DISTRICT

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

Last Ten Fiscal Years*

Employer Fiscal Year End Measurement Period	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Total OPEB liability						
Service cost	$ 1,531,380	$ 2,127,358	$ 1,889,443	$ 1,918,302	$ 1,748,747	$ 2,566,474
Interest	1,118,788	725,997	837,055	1,209,843	1,234,352	948,599
Differences between expected and actual experience	(4,345,073)	-	(3,425,501)	(145,313)	(148,063)	-
Changes of assumptions or other inputs	411,033	(5,234,847)	(1,346,949)	3,977,883	5,535,368	(628,089)
Benefit payments	(1,049,321)	(1,002,675)	(860,364)	(1,183,552)	(1,223,090)	(802,233)
Net change in total OPEB liability	(2,333,193)	(3,384,167)	(2,906,316)	5,777,163	7,147,314	2,084,751
Total OPEB liability - beginning	32,799,766	36,183,933	39,090,249	33,313,086	26,165,772	24,081,021
Total OPEB liability - ending	$ 30,466,573	$ 32,799,766	$ 36,183,933	$ 39,090,249	$ 33,313,086	$ 26,165,772
Covered-employee payroll	$ 170,906,960	$ 146,031,467	$ 132,673,447	$ 165,081,466	$ 160,273,268	$ 143,837,848
Total OPEB liability as a percentage of covered-employee payroll	17.83%	22.46%	27.27%	23.68%	20.79%	18.19%

** 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.*

TUSTIN UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Employer Fiscal Year End	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**
Measurement Period	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
District's proportion of net OPEB liability	0.3091%	0.3090%	0.3125%	0.3131%	0.3165%
District's proportionate share of net OPEB liability	$ 1,018,080	$ 1,232,626	$ 1,324,498	$ 1,165,843	$ 1,211,321
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%

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 either CalSTRS and CalPERS.

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.69 percent to 3.86 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

Change of assumptions – The discount rate was changed from 2.16 percent to 3.54 percent since the previous valuation.

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Supplementary Information

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The Tustin Unified School District was established July 1, 1972 upon unification of the Tustin Elementary and Union High School Districts. The District boundaries include the City of Tustin, portions of Santa Ana, the foothills portion of the unincorporated area of Orange County, and portions of the City of Irvine. There were no changes to the District's boundaries during the year. The District operates 18 elementary schools, one K-8 school, one K-12 online and independent study school, 5 middle schools, 3 comprehensive high schools, a continuation high school, and an alternative/adult education program.

GOVERNING BOARD

Member	Office	Term Expires
James Laird	President	November, 2024
Allyson Damikolas	Vice President	November, 2024
Jonathan Stone	Clerk	November, 2024
Lynn Davis	Member	November, 2026
Jonathan Abelove	Member	November, 2026

DISTRICT ADMINISTRATORS

Mark Johnson, Ed.D.,
Superintendent

Maggie Villegas, Ed.D.,
Assistant Superintendent, Educational Services, Grades K-5

Christine Matos, Ed.D.,
Assistant Superintendent, Educational Services, Grades 6-12

Grant Litfin, Ed.D.,
Assistant Superintendent, Administrative Services

Kate Christmas, Ed.D.,
Assistant Superintendent, Special Education

Harold Sullins,
Chief Financial Officer

Maurita De La Torre, Ed.D.,
Chief Personnel Officer

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2023

	Second Period Report	Annual Report
Regular & Extended Year ADA:		
Grades TK/K-3	5,622.73	5,646.39
Grades 4-6	4,442.38	4,451.91
Grades 7-8	3,062.65	3,064.73
Grades 9-12	7,373.06	7,362.20
Total Regular & Extended Year ADA	20,500.82	20,525.23
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK/K-3	1.72	1.90
Grades 4-6	5.38	5.50
Grades 7-8	5.82	6.71
Grades 9-12	17.58	17.38
Total Special Education, Nonpublic, Nonsectarian Schools	30.50	31.49
Total ADA	20,531.32	20,556.72

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2023

Number of Instructional Days				
Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	50,304	180	Complied
Grade 1	50,400	54,440	180	Complied
Grade 2	50,400	54,440	180	Complied
Grade 3	50,400	54,440	180	Complied
Grade 4	54,000	54,440	180	Complied
Grade 5	54,000	54,440	180	Complied
Grade 6	54,000	57,908	180	Complied
Grade 7	54,000	57,908	180	Complied
Grade 8	54,000	57,908	180	Complied
Grade 9	64,800	64,823	180	Complied
Grade 10	64,800	64,823	180	Complied
Grade 11	64,800	64,823	180	Complied
Grade 12	64,800	64,823	180	Complied

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2023

General Fund	(Budget) 2024 [2]	2023 [2]	2022 [3]	2021*
Revenues and other financing sources	$ 381,150,871	$ 385,121,774	$ 319,634,163	$ 296,715,239
Expenditures	370,023,165	331,058,450	291,441,132	271,165,405
Other uses and transfers out	3,500,000	6,060,022	5,850,088	5,734,839
Total outgo	373,523,165	337,118,472	297,291,220	276,900,244
Change in fund balance (deficit)	7,627,706	48,003,302	22,342,943	19,814,995
Ending fund balance	$ 195,412,303	$ 187,784,597	$ 139,781,295	$ 117,438,352
Available reserves [1]	$ 11,205,695	$ 10,192,050	$ 8,918,737	$ 8,307,008
Available reserves as a percentage of total outgo	3.0%	3.0%	3.0%	3.0%
Total long-term debt	$ 444,654,987	$ 457,862,261	$ 362,240,067	$ 507,794,332
Average daily attendance at P-2	20,143	20,531	20,880	N/A

The General Fund balance has increased by approximately $70.3 million over the past two years. The fiscal year 2023-24 adopted budget projects an increase of approximately $7.6 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in each of the past three years and anticipates incurring an operating surplus during the 2023-24 fiscal year. Long-term debt has decreased by $49.9 million over the past two years primarily from changes in pension and OPEB actuarial amounts.

Average daily attendance decreased by 349 since the prior year. In 2023-24, ADA is projected to decrease by 388.

[1] Reserves consist of fund balances for economic uncertainties (3% recommended).

[2] Budget as of September 2023.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and Special Reserve Fund for Other Than Capital Outlay Projects, 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.

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	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	$ 424,258	
School Breakfast Program - Especially Needy	10.553	13526	1,379,315	
National School Lunch Program	10.555	13523	4,982,123	
USDA Donated Foods	10.555	N/A	847,934	
Supply Chain Assistance (SCA) Funds	10.555	15655	519,878	
Total Child Nutrition Cluster				$ 8,153,508
Total U.S. Department of Agriculture				8,153,508
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Education Cluster:				
Adult Secondary Education	84.002	13978	68,465	
Adult Basic Education & ESL	84.002A	14508	138,292	
Total Adult Education Cluster				206,757
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,051,102	
School Improvement Funding for LEAs	84.010	15438	229,189	
Total Title I Grants:				4,280,291
Title II, Part A, Supporting Effective Instruction Local Grant	84.367	14341		346,492
Title III, English Learner Student Program	84.365	14346		14,423
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		331,222
Carl Perkins Act - Secondary	84.048	14894		130,467
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	6,971,065	
Elementary and Secondary School Emergency Releif III (ESSER III) Fund	84.425U	15559	4,640,503	
Elementary and Secondary School Emergency Releif III (ESSER III) Fund: Learning Loss	84.425U	10155	4,182,910	
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	148,283	
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	254,584	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	253,583	
Expanded Learning Opportunities (ELO) Grant:				
Subtotal Education Stabilization Fund				16,450,928

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Special Education Individuals				
with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	3,937,782	
Preschool Grants, Part B, Sec 619	84.173	13430	78,120	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	262,489	
Preschool Staff Development	84.173A	13431	1,033	
Alternate Dispute Resolution	84.173A	13007	17,688	
Total Special Education Cluster (IDEA)				4,297,112
Early Intervention Grants, Part C	84.181	23761		61,210
Workability II, Transition	84.126	10006		196,233
Total U.S. Department of Education				26,315,135
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Child Care Mandatory and Matching Funds	93.596	13609		438,602
COVID-19: ARP State Preschool Rate Supplements	93.575	15641		538,980
Total U.S. Department of Health & Human Services				977,582
Total Expenditures of Federal Awards				$ 35,446,225

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

NOTE 1 – PURPOSE OF SCHEDULES

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

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

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

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

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

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
Tustin Unified School District
Tustin, 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 Tustin Unified School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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

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

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

Nigro + Nigro, PC.

Murrieta, California
December 4, 2023

A Professional Accountancy Corporation

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

Board of Education
Tustin Unified School District
Tustin, California

Report on Compliance for Each Major Federal Program

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

In our opinion, the Tustin 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, 2023.

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

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

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

- Obtain an understanding of the Tustin Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Tustin Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Nigro + Nigro, PC.

Murrieta, California
December 4, 2023

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NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Tustin Unified School District
Tustin, California

Report on Compliance

Opinion
We have audited the Tustin Unified School District's (District) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, Tustin Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

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

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

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

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

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
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
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identity all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro + Nigro, PC.

Murrieta, California
December 4, 2023

Schedule of Findings and Questioned Costs

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Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.425C, D, U	Education Stabilization Fund
84.010	Title I Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,063,387
Auditee qualified as low-risk auditee?	Yes

State Awards

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

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

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

There were no financial statement findings in 2022-23.

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 2022-23.

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 2022-23.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-001: Middle Or Early College High Schools	California Education Code section 46146.5(b) states: A day of attendance for a pupil enrolled in an early college high school or middle college high school, who is also a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance. During our review of the early college high school, it was noted that 4 out of 25 students tested did not meet the 180 minutes of attendance as required.	40000	We recommend the District emphasize the importance of students needing to meet the minimum required minutes per day. The District should review students' schedules to ensure that each student is scheduled for a minimum of 180 minutes per day, or 900 minutes per week and enrolled in college courses concurrently.	Implemented
Finding 2022-002: Continuation Education	California Education Code section 48400 states: All persons 16 years of age or older and under 18 years of age, not otherwise exempted by this chapter, shall attend upon special continuation education classes maintained by the governing board of the high school district in which they reside, or by the governing board of a neighboring high school district, for not less than four 60-minute hours per week for the regularly established annual school term. Such minimum attendance requirement of four 60-minute hours per week may be satisfied by any combination of attendance upon special continuation education classes and regional occupational centers or programs. During our review of the continuation education attendance, it was noted that the number of hours calculated for each week in the student information system exceeded the site's bell schedule.	10000	We recommend the District develop proper oversight to obtain bell schedules each year from the school site and reconcile it back to the student information system. Also, the District should work with the information technology department to correct the issue in the student information system.	Implemented

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-003: Independent Study	Pursuant to Education Code Section 51744-51749.6, every written independent study agreement is required to contain the following required elements: The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress, and for communicating with a pupil's parent or guardian regarding a pupil's academic progress. The objectives and methods of study (pupil activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's work. The methods utilized used to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which the pupils achieved the objectives set forth in the written assignment) The specific resources, including materials and personnel, to be made available to the pupils (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils on the same terms as the terms on which they are normally available to all pupils). These resources shall include confirming or providing access to all pupils to the connectivity and devices adequate to participate in the educational program and complete assigned work.	10000	We recommend that all independent study contracts be updated to reflect all required elements. We further recommend establishing a process to oversee independent study contracts and monitor the requirements surrounding attendance credit, signatures, work samples, and synchronous tracking.	Implemented

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-003: Independent Study (Continued)	A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code Section 51747: The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and The level of satisfactory educational progress as defined in Education Code Section 51747(b)(2)(A)-(D); and The number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interests to continue in independent study. The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement, with no agreement being for longer than one school year A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion	10000		

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-003: Independent Study (Continued)	A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas, such as English learners, individuals with exceptional needs in order to be consistent with the pupil's individualized education program or plan pursuant to Education Code Section 504 of the federal Rehabilitation Act of 1973 (29 U.S.C. Sec. 794), pupils in foster care or experiencing homelessness, and pupils requiring mental health supports. A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate. During testing of independent study attendance, we noted the following elements were missing from the short-term independent study contracts in use at the District: Manner of reporting, frequency of meeting, time of event, place of reporting and for communicating with a pupil's parent or guardian regarding a pupil's academic progress. • Specific resources, including materials and personnel, to be made available by the District. Shall include confirming or providing access to the connectivity and devices adequate to participate in the program and complete work. • The maximum length of time allowed between assignment and completion of pupil's work.	10000		

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-003: Independent Study (Continued)	The number of assignments a pupil may miss before there must be an evaluation of whether independent study is in the pupil's best interest. The level of satisfactory educational progress. The number of course credits to be earned (or for elementary grades, other measures of academic credit) if the objective is reached. A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas. Statement that I/S is a voluntary program. We also noted instances of teachers not filling out attendance credit, work samples not being kept, missing signatures and synchronous instruction not being provided for students who were on more than 15 days of independent study. The total ADA by grade span for non-compliant independent study is documented in the Schedule of ADA in the supplementary information Section.	10000		

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-004: Kindergarten Continuance	Ed Code 46300(g) requires that retained Kindergarten students must have the Department approved form filled out and signed by the District and the student's parent/guardian, on or near the admission anniversary date. State approval must be obtained prior to the use of any alternate form. Failure to use of an approved form or omission of the date on the form results in the loss of ADA generated by the students. The intent of the law is to ensure that the student is being assessed accurately and near the time they are due to be advanced to first grade. At **Ladera Elementary**, the continuance form of one student was signed on March 3, 2022, instead of on or near the admission anniversary date which was May 28, 2021. ADA earned prior to the signing of the form must be removed and not claimed for apportionment on the P2. The form used by the site was not the form provided by CDE. If the District can show CDE approved this form as an alternative, the District can keep the ADA for the student recorded from October 21, 2021, when the form used by the site was signed.	10000	We recommend the District update the Kindergarten retention forms and make all elementary school sites aware that the corrected form is to be used going forward.	Implemented

NIGRO & NIGRO PC
A Professional Accountancy Corporation

To the Board of Education
Tustin Unified School District
Tustin, California

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

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2023, on the financial statements of Tustin Unified School District.

ATTENDANCE

Observation**:** During our testing of attendance, we noted teachers did not certify their attendance on a contemporaneous basis at Arroyo Elementary (2 of 3 teachers tested), Beckman High (3 of 8 teachers tested) and Peters Canyon Elementary (2 of 3 teachers tested).

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

DISTRICT OFFICE

Observation**:** During our testing of cash disbursements at the District office, it was noted that 14 of 86 expenditures tested were not pre-approved. It is important that all expenditures be pre-approved and supported by adequate and complete supporting documentation to ensure that only allowable expenses, which are in line with the budget, are incurred. Incurring costs prior to purchase order approval may result in inappropriate expenditures and/or expenditures exceeding budgeted amounts.

> ***Recommendation*****:** We recommend that the District emphasize the importance of gaining proper approval prior to making purchases and that control procedures be established to maintain adequate supporting documentation for all purchases.

Observation**:** During our testing of bank reconciliations at the District office it was noted that there were stale dated checks older than six months in the revolving account.

> ***Recommendation*****:** We recommend the District review any uncleared checks older than six months and void or reissue the check.

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

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ASSOCIATED STUDENT BODY (ASB)

Observation: During cash disbursement testing it was noted that approvals were missing from a District representative on the purchase order at Columbus Middle, Beckman High and Tustin High. Additionally, four disbursements were incurred before approval and two lacked original supporting documentation.

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

Observation: During our cash receipts testing we noted that four transactions at Columbus Middle were missing a prenumbered receipt or other point of sale documentation, revenue potentials were not prepared, bank reconciliations were not prepared timely at various sites and various donations did not contain a proper audit trail.

> ***Recommendation***: We recommend that the District implement oversight of all associated student bodies in order to follow proper cash control procedures. We also recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or ASB Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the ASB Bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.

Observation: In our test of disbursements at Hillview Continuation, we noted three expenses that the principal was reimbursed for purchases they made with a check signed by the principal including gift cards.

> ***Recommendation***: We recommend that the District implement segregation of duties at school sites. Good internal controls include segregating duties so that one person is not handling a transaction from beginning to end. This is a critical part of a system of checks and balances. Those who record the transaction should be separate from those who authorize and execute the transaction. The purchase of gift cards is discouraged because they constitute a gift of public funds unless specifically stated in board policy as an allowable award. Gift cards are like cash awards which are difficult to track and control. Awards to students can be made for excellence, the District should have established policy and procedures in place for such awards.

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

Nigro + Nigro, PC.

Murrieta, California
December 4, 2023