

**TUSTIN UNIFIED SCHOOL DISTRICT
ORANGE COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2024**

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TUSTIN UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2024

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TUSTIN UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2024

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Financial Section

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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, 2024, 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, 2024, 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 *2023-24 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.

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, 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, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

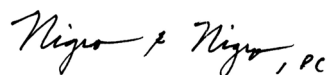
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the LEA Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to the materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 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.



Murrieta, California
December 12, 2024

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TUSTIN UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

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, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

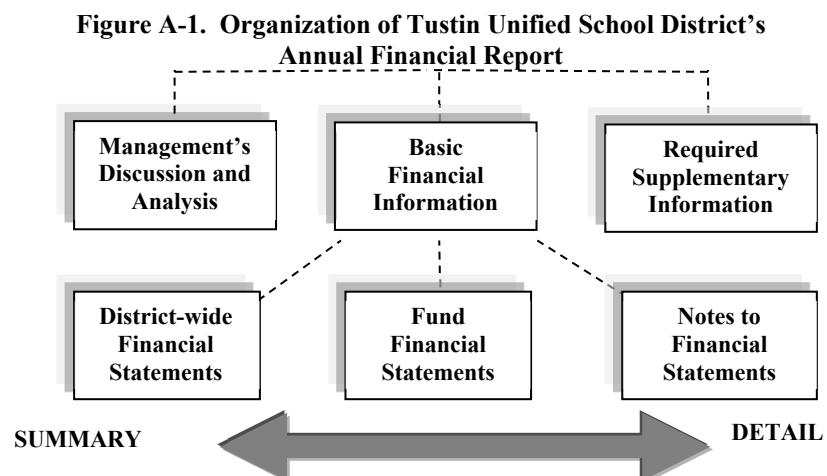
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$81.9 million, or 14.2%.
- Governmental expenses were about \$375.4 million. Revenues were about \$457.4 million.
- The District acquired over \$20.4 million in new capital assets during the year.
- Governmental funds increased by \$68.2 million, or 20.1%.

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.
 - 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.



TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024, than it was the year before – increasing 14.2% to \$657.3 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Assets			
Current assets	\$ 453,171,024	\$ 395,268,227	\$ 57,902,797
Capital assets	637,886,293	636,952,282	934,011
Total assets	1,091,057,317	1,032,220,509	58,836,808
Total deferred outflows of resources	114,835,097	103,101,297	11,733,800
Liabilities			
Current liabilities	39,283,361	49,943,382	(10,660,021)
Long-term liabilities	475,822,017	457,862,261	17,959,756
Total liabilities	515,105,378	507,805,643	7,299,735
Total deferred inflows of resources	33,461,983	52,137,931	(18,675,948)
Net position			
Net investment in capital assets	493,003,464	470,467,784	22,535,680
Restricted	194,116,599	121,410,043	72,706,556
Unrestricted	(29,795,010)	(16,499,595)	(13,295,415)
Total net position	\$ 657,325,053	\$ 575,378,232	\$ 81,946,821

Changes in net position, governmental activities. The District's total revenues increased 9.0% to \$457.4 million (See Table A-2). The increase is due primarily to increased federal and state grants.

The total cost of all programs and services increased 8.0% to \$375.4 million. The District's expenses are predominantly related to educating and caring for students, 74.3%. The purely administrative activities of the District accounted for just 6.8% of total costs. A significant contributor to the increase in costs was spending of additional grants on instruction-related services.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 6,515,963	\$ 3,369,570	\$ 3,146,393
Operating grants and contributions	107,070,777	119,420,130	(12,349,353)
Capital grants and contributions	22,276,105	1,832,935	20,443,170
General Revenues:			
Property taxes	202,468,351	192,170,958	10,297,393
Federal and state aid not restricted	94,671,249	89,051,150	5,620,099
Other general revenues	24,371,798	13,592,264	10,779,534
Total Revenues	457,374,243	419,437,007	37,937,236
Expenses			
Instruction-related	230,850,815	212,134,930	18,715,885
Pupil services	48,113,161	44,520,153	3,593,008
Administration	25,391,136	16,190,134	9,201,002
Plant services	32,353,529	42,148,521	(9,794,992)
All other activities	38,718,781	32,784,608	5,934,173
Total Expenses	375,427,422	347,778,346	27,649,076
Increase (decrease) in net position	\$ 81,946,821	\$ 71,658,661	\$ 10,288,160
Total Net Position	\$ 657,325,053	\$ 575,378,232	

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 \$407.8 million, which is above last year's ending fund balance of \$339.6 million. The primary cause of the increased fund balance is a surplus in the General Fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2023	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2024
General Fund	\$ 187,784,597	\$ 387,170,529	\$ 353,518,550	\$ (6,003,507)	\$ 215,433,069
Student Activity Special Revenue Fund	1,151,643	3,221,994	3,228,570	-	1,145,067
Adult Education Fund	2,117,457	1,450,954	1,669,994	-	1,898,417
Child Development Fund	1,929,291	5,871,493	4,706,052	-	3,094,732
Cafeteria Fund	11,331,119	17,023,748	11,684,535	-	16,670,332
Deferred Maintenance Fund	9,568,679	5,401,382	4,389,044	-	10,581,017
Special Reserve Fund (Other Than Capital Outlay)	8,430,167	429,575	-	-	8,859,742
Building Fund	10,869,373	1,964,349	927,040	-	11,906,682
Capital Facilities Fund	12,530,704	6,804,760	132,264	-	19,203,200
County School Facilities Fund	36,337,819	24,378,837	5,981,589	-	54,735,067
Special Reserve Fund (Capital Outlay)	39,440,866	227,407	130,586	6,641,561	46,179,248
Capital Outlay Fund for Blended Component Units	2,549,584	346,560	63,522	267,095	3,099,717
Bond Interest and Redemption Fund	15,557,051	16,912,532	17,504,633	-	14,964,950
	\$ 339,598,350	\$ 471,204,120	\$ 403,936,379	\$ 905,149	\$ 407,771,240

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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 \$13.7 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$19.1 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$8.0 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$33.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$33.7 million. Actual revenues were \$5.6 million less than anticipated, and expenditures were \$5.4 million less than budgeted.

That amount consists primarily of restricted program dollars that were not spent as of June 30, 2024, that will be carried over into the 2024-25 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023-24 the District had acquired \$20.4 million in new capital assets, related to land, construction in progress, site improvements, subscription assets, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$18.3 million and amortization was \$1.0 million.

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

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Land	\$ 176,147,527	\$ 176,147,527	\$ -
Improvement of sites	33,575,306	35,069,280	(1,493,974)
Buildings	373,354,280	384,915,421	(11,561,141)
Equipment	7,912,833	8,249,955	(337,122)
Construction in progress	43,644,703	30,302,026	13,342,677
Subscription assets	3,251,644	2,268,073	983,571
Total	<u>\$ 637,886,293</u>	<u>\$ 636,952,282</u>	<u>\$ 934,011</u>

Long-Term Debt

At year-end the District had \$475.8 million in long-term liabilities – an increase of 3.9% 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
	2024	2023	Increase (Decrease)
General obligation bonds	\$ 166,696,181	\$ 179,903,455	\$ (13,207,274)
Workers' compensation claims	702,285	2,066,578	(1,364,293)
Compensated absences	2,831,428	2,386,827	444,601
Subscription based IT arrangements	419,824	14,835	404,989
Other postemployment benefits	32,873,204	31,484,653	1,388,551
Net pension liability	272,299,095	242,005,913	30,293,182
Total	<u>\$ 475,822,017</u>	<u>\$ 457,862,261</u>	<u>\$ 17,959,756</u>

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly \$5 billion in additional revenue. The Legislature's budget used that additional budget capacity to reject some of the Governor's spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly \$1 billion) in general purpose reserves than the May Revision.

K-14 Education

Funds Modest COLA and a Few Smaller Augmentations

For 2024-25, the budget provides \$1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of \$300 million (\$179 million ongoing and \$121 million one time) to cover cost increases related to universal school meals. A small portion of the budget's remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

Implements Small Payment Deferral

The budget reduces spending in 2024-25 by deferring \$487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

Suspends Proposition 98 Requirement and Reduces Spending

For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by \$8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a \$2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by \$12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve (\$8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly \$1.1 billion.

Bond Funds

The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow \$10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about \$500 million each year for 35 years. Proposition 4 would allow the state to borrow \$10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about \$400 million each year for 40 years. The cost to repay both bonds would total about \$900 million each year.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Scores Savings Related to Attendance and a Few Other Adjustments

In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024-25, the budget assumes savings of \$1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains \$1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the Tustin Unified School District budget for the 2024-25 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.

TUSTIN UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2024*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 422,856,811
Accounts receivable	29,357,513
Inventories	524,582
Prepaid expenses	432,118
Capital assets:	
Non-depreciable assets	219,792,230
Depreciable assets	681,315,755
Less accumulated depreciation	(266,473,336)
Subscription assets	4,680,989
Less accumulated amortization	(1,429,345)
Total assets	<u>1,091,057,317</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	6,806,953
Deferred outflows from OPEB	3,915,937
Deferred outflows from pensions	<u>104,112,207</u>
Total deferred outflows of resources	<u>114,835,097</u>
LIABILITIES	
Accounts payable	34,227,407
Accreted interest	2,180,959
Unearned revenue	2,874,995
Noncurrent liabilities:	
Due or payable within one year	13,703,329
Due in more than one year:	
Other than OPEB and pensions	156,946,389
Total OPEB liability	32,873,204
Net pension liability	<u>272,299,095</u>
Total liabilities	<u>515,105,378</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	9,188,944
Deferred inflows from pensions	<u>24,273,039</u>
Total deferred inflows of resources	<u>33,461,983</u>
NET POSITION	
Net investment in capital assets	493,003,464
Restricted for:	
Capital projects	73,938,267
Debt service	14,964,950
Categorical programs	79,802,886
Student activities	1,145,067
Child nutrition programs	16,670,332
Workers' compensation claims	7,595,097
Unrestricted	<u>(29,795,010)</u>
Total net position	<u>\$ 657,325,053</u>

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					
Instructional services:					
Instruction	\$ 197,039,102	\$ 284,975	\$ 52,453,008	\$ 22,276,105	\$ (122,025,014)
Instruction-related services:					
Supervision of instruction	11,905,853	177,559	2,802,526	-	(8,925,768)
Instructional library, media and technology	1,997,227	-	(668)	-	(1,997,895)
School site administration	19,908,633	9,024	1,127,551	-	(18,772,058)
Pupil support services:					
Home-to-school transportation	6,490,627	-	-	-	(6,490,627)
Food services	11,678,354	4,254	16,747,828	-	5,073,728
All other pupil services	29,944,180	129,599	11,993,795	-	(17,820,786)
General administration services:					
Data processing services	4,874,139	-	-	-	(4,874,139)
Other general administration	20,516,997	19,236	1,649,303	-	(18,848,458)
Plant services	32,353,529	-	583,804	-	(31,769,725)
Ancillary services	8,216,992	-	7,171,600	-	(1,045,392)
Community services	2,473,083	-	1,387,222	-	(1,085,861)
Enterprise activities	(1,651,973)	-	-	-	1,651,973
Interest on long-term debt	10,535,607	5,891,316	-	-	(4,644,291)
Other outgo	(216,778)	-	11,154,808	-	11,371,586
Depreciation (unallocated)	18,322,462	-	-	-	(18,322,462)
Amortization (unallocated)	1,039,388	-	-	-	(1,039,388)
Total Governmental Activities	<u>\$ 375,427,422</u>	<u>\$ 6,515,963</u>	<u>\$ 107,070,777</u>	<u>\$ 22,276,105</u>	<u>(239,564,577)</u>
General Revenues:					
Property taxes					202,468,351
Federal and state aid not restricted to specific purpose					94,671,249
Interest and investment earnings					13,334,634
Transfers					267,095
Miscellaneous					<u>10,770,069</u>
Total general revenues					<u>321,511,398</u>
Change in net position					81,946,821
Net position - July 1, 2023					<u>575,378,232</u>
Net position - June 30, 2024					\$ 657,325,053

TUSTIN UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2024

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Deposits and investments	\$ 243,597,783	\$ 11,978,956	\$ 54,928,788	\$ 39,543,425	\$ 9,003,539	\$ 55,622,788	\$ 414,675,279
Accounts receivable	17,780,770	44,411	203,513	-	7,065,113	4,234,000	29,327,807
Due from other funds	564,221	-	-	6,641,561	-	17,988	7,223,770
Inventories	428,727	-	-	-	-	95,855	524,582
Prepaid expenditures	432,118	-	-	-	-	-	432,118
Total Assets	<u>\$ 262,803,619</u>	<u>\$ 12,023,367</u>	<u>\$ 55,132,301</u>	<u>\$ 46,184,986</u>	<u>\$ 16,068,652</u>	<u>\$ 59,970,631</u>	<u>\$ 452,183,556</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 18,425,047	\$ 112,585	\$ 397,234	\$ 5,738	\$ 12,944,591	\$ 2,341,496	\$ 34,226,691
Due to other funds	6,739,570	4,100	-	-	24,344	542,616	7,310,630
Unearned revenue	2,765,174	-	-	-	-	109,821	2,874,995
Total Liabilities	<u>27,929,791</u>	<u>116,685</u>	<u>397,234</u>	<u>\$ 5,738</u>	<u>\$ 12,968,935</u>	<u>2,993,933</u>	<u>44,412,316</u>
Fund Balances							
Nonspendable	1,010,845	-	-	-	-	95,855	1,106,700
Restricted	77,335,235	11,906,682	54,735,067	-	3,099,717	54,355,345	201,432,046
Committed	126,281,230	-	-	-	-	-	126,281,230
Assigned	19,440,759	-	-	46,179,248	-	2,525,498	68,145,505
Unassigned	10,805,759	-	-	-	-	-	10,805,759
Total Fund Balances	<u>234,873,828</u>	<u>11,906,682</u>	<u>54,735,067</u>	<u>46,179,248</u>	<u>3,099,717</u>	<u>56,976,698</u>	<u>407,771,240</u>
Total Liabilities and Fund Balances	<u>\$ 262,803,619</u>	<u>\$ 12,023,367</u>	<u>\$ 55,132,301</u>	<u>\$ 46,184,986</u>	<u>\$ 16,068,652</u>	<u>\$ 59,970,631</u>	<u>\$ 452,183,556</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024

Total fund balances - governmental funds \$ 407,771,240

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:	901,107,985	
Accumulated depreciation:	(266,473,336)	
Subscription assets	4,680,989	
Accumulated amortization	<u>(1,429,345)</u>	
Net:		637,886,293

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:

6,806,953

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:

(2,180,959)

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	166,696,181	
Subscription based IT arrangements	419,824	
Compensated absences	2,831,428	
Net pension liability	272,299,095	
Other postemployment benefits	<u>32,873,204</u>	
Total		(475,119,732)

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	104,112,207	
Deferred inflows of resources relating to pensions	<u>(24,273,039)</u>	
Net:		79,839,168

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	3,915,937	
Deferred inflows of resources relating to OPEB	<u>(9,188,944)</u>	
		(5,273,007)

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:

7,595,097

Total net position - governmental activities \$ 657,325,053

TUSTIN UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2024

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	\$ 268,087,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,087,209
Federal sources	23,937,811	-	-	-	-	8,941,415	32,879,226
Other state sources	69,334,509	-	22,276,105	-	-	13,974,278	105,584,892
Other local sources	31,641,957	1,964,349	2,102,732	227,407	346,560	28,369,788	64,652,793
Total Revenues	393,001,486	1,964,349	24,378,837	227,407	346,560	51,285,481	471,204,120
EXPENDITURES							
Current:							
Instruction	209,230,020	-	-	-	-	3,045,173	212,275,193
Instruction-related services:							
Supervision of instruction	12,655,610	-	-	-	-	14,294	12,669,904
Instructional library, media and technology	1,792,095	-	-	-	-	-	1,792,095
School site administration	20,122,956	-	-	-	-	784,714	20,907,670
Pupil support services:							
Home-to-school transportation	6,486,088	-	-	-	-	-	6,486,088
Food services	150,314	-	-	-	-	11,417,808	11,568,122
All other pupil services	30,675,182	-	-	-	-	160,573	30,835,755
Ancillary services	5,007,654	-	-	-	-	3,228,570	8,236,224
Community services	464,166	-	-	-	-	2,005,408	2,469,574
General administration services:							
Data processing services	5,203,060	-	-	-	-	-	5,203,060
Other general administration	19,119,106	-	-	-	-	-	19,119,106
Plant services	30,082,550	-	-	-	-	-	30,082,550
Transfers of indirect costs	(391,456)	-	-	-	-	391,456	-
Capital Outlay	11,611,251	927,040	5,981,589	130,586	63,522	373,419	19,087,407
Intergovernmental transfers	5,325,426	-	-	-	-	-	5,325,426
Debt Service:							
Principal	233,065	-	-	-	-	11,995,000	12,228,065
Interest	140,507	-	-	-	-	5,509,633	5,650,140
Total Expenditures	357,907,594	927,040	5,981,589	130,586	63,522	38,926,048	403,936,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,093,892	1,037,309	18,397,248	96,821	283,038	12,359,433	67,267,741
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	-	-	-	6,641,561	-	-	6,641,561
Interfund transfers out	(6,641,561)	-	-	-	-	-	(6,641,561)
Issuance of debt - SBITAs	638,054	-	-	-	-	-	638,054
Transfers (to)/from fiduciary fund	-	-	-	-	267,095	-	267,095
Total Other Financing Sources and Uses	(6,003,507)	-	-	6,641,561	267,095	-	905,149
Net Change in Fund Balances	29,090,385	1,037,309	18,397,248	6,738,382	550,133	12,359,433	68,172,890
Fund Balances, July 1, 2023, as originally reported	205,783,443	10,869,373	-	-	2,549,584	120,395,950	339,598,350
Change within reporting entity (nonmajor to major fund)	-	-	36,337,819	39,440,866	-	(75,778,685)	-
Fund Balances, July 1, 2023, as restated	205,783,443	10,869,373	36,337,819	39,440,866	2,549,584	44,617,265	339,598,350
Fund Balances, June 30, 2024	\$ 234,873,828	\$ 11,906,682	\$ 54,735,067	\$ 46,179,248	\$ 3,099,717	\$ 56,976,698	\$ 407,771,240

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, 2024

Total net change in fund balances - governmental funds \$ 68,172,890

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	20,420,759	
Depreciation expense	(18,322,462)	
Amortization expense	<u>(1,039,388)</u>	
Net:		1,058,909

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: (61,734)

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: (638,054)

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: 12,228,065

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: 1,212,274

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: 102,247

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: (779,951)

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: 242,369

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. 1,651,974

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*). (444,601)

Change in net position of governmental activities \$ 81,946,821

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Governmental Activities Internal Service Fund
ASSETS	
Current:	
Deposits and investments	\$ 8,181,532
Accounts receivable	29,706
Due from other funds	<u>86,860</u>
Total assets	<u>8,298,098</u>
LIABILITIES	
Current:	
Accounts payable and accrued liabilities	716
Noncurrent:	
Estimated liability for open claims and IBNR	<u>702,285</u>
Total liabilities	<u>703,001</u>
NET POSITION	
Restricted	<u><u>\$ 7,595,097</u></u>

TUSTIN UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2024*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 2,532,239
Other local revenue	124,316
Total operating revenues	<u>2,656,555</u>
OPERATING EXPENSES	
Change in estimate for claims	(1,364,293)
Services and other operating expenditures	<u>2,757,021</u>
Total operating expenses	<u>1,392,728</u>
Operating Income (Loss)	1,263,827
NON-OPERATING REVENUES	
Interest income	<u>388,147</u>
Change in net position	1,651,974
Net position, July 1, 2023	<u>5,943,123</u>
Net position, June 30, 2024	<u><u>\$ 7,595,097</u></u>

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	\$ 2,593,906
Payments to vendors and suppliers	(1,541,351)
Payments and changes in estimates on insurance claims	(1,364,293)
Receipts from pending claims	124,317
Net cash provided (used) by operating activities	<u>(187,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>382,900</u>
Net increase (decrease) in cash	195,479
Cash, July 1, 2023	<u>7,986,053</u>
Cash, June 30, 2024	<u><u>\$ 8,181,532</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,263,827
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Due from other funds	61,667
Estimated liability for open claims and IBNRs	(1,364,293)
Accounts payable and accrued liabilities	(148,622)
Total adjustments	<u>(1,451,248)</u>
Net cash (used) by operating activities	<u><u>\$ (187,421)</u></u>

TUSTIN UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2024*

	Debt Service Fund for Special Tax Bonds
ASSETS	
Deposits	\$ 6,055,204
Investments	23,111,457
Due from other funds	12,944,591
Total Assets	42,111,252
LIABILITIES	
Due to other funds	7,031,899
Total Liabilities	7,031,899
NET POSITION	
Restricted	\$ 35,079,353

TUSTIN UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenditures, and Changes in Fiduciary Net Position*
June 30, 2024

	Debt Service Fund for Special Tax Bonds
ADDITIONS	
Local property taxes	\$ 15,041,058
Interest	550,539
All other transfers in	5,904,440
Total Additions	21,496,037
DEDUCTIONS	
General administration	41,855
Debt service-interest	14,592,397
Debt service-principal	9,330,000
All other transfers out	414,696
Total Deductions	24,378,948
Change in fiduciary net position	(2,882,911)
Net position - July 1, 2023	37,962,264
Net position - June 30, 2024	<u><u>\$ 35,079,353</u></u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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).

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

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.).

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.).

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).

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

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

7. 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.

If material, 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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

If material, 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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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.

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

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

I. Change in Accounting Principle

For the fiscal year ended June 30, 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 414,675,279
Proprietary funds	8,181,532
Governmental activities	422,856,811
Fiduciary funds	29,166,661
Total deposits and investments	<u>\$ 452,023,472</u>

Deposits and investments as of June 30, 2024 consist of the following:

Cash on hand and in banks	\$ 1,535,067
Cash in revolving fund	150,000
Investments	450,338,405
Total deposits and investments	<u>\$ 452,023,472</u>

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 portfolio). The balance available for withdrawal is based on the accounting records maintained by the Orange County Treasurer, which is recorded on the amortized basis.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

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 Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

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

As of June 30, 2024, \$1,752,207 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, 2024, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
Investments:					
U.S. Bank First American Treasury Obligations	\$ 29,166,661	\$ 29,166,661	\$ -	Level 2	AAA
U.S. Bank Treasury Money Market Funds	1,295	1,295	-	Level 2	AAA
Orange County Pool	421,170,449	421,170,449	-	Uncategorized	N/A
	<u>\$ 450,338,405</u>	<u>\$ 450,338,405</u>	<u>\$ -</u>		

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, 2024, 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, 2024, 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%
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TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:							
Categorical aid programs	\$ 7,788,659	\$ -	\$ -	\$ -	\$ 161,529	\$ 7,950,188	\$ -
Food service	-	-	-	-	1,629,647	1,629,647	-
State Government:							
LCFF sources	2,381,755	-	-	-	-	2,381,755	-
Lottery	1,533,893	-	-	-	-	1,533,893	-
Categorical aid programs	2,660,200	-	-	-	138,931	2,799,131	-
Food service	-	-	-	-	2,043,885	2,043,885	-
Local:							
Interest	1,021,830	44,411	203,513	33,214	137,435	1,440,403	29,706
Other local	2,394,433	-	-	7,031,899	122,573	9,548,905	-
Total	<u>\$ 17,780,770</u>	<u>\$ 44,411</u>	<u>\$ 203,513</u>	<u>\$ 7,065,113</u>	<u>\$ 4,234,000</u>	<u>\$ 29,327,807</u>	<u>\$ 29,706</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2024, consisted of the following:

	Due From Other Funds				
	Special Reserve				
	General Fund	Fund for	Non-Major	Proprietary Fund	Total
		Capital Outlay Projects	Governmental Funds		
General Fund	\$ -	\$ 6,641,561	\$ 17,988	\$ 80,021	\$ 6,739,570
Building Fund	3,847	-	-	253	4,100
Capital Project Fund for Blended Component Units	24,344	-	-	-	24,344
Non-Major Governmental Funds	536,030	-	-	6,586	542,616
Total	\$ 564,221	\$ 6,641,561	\$ 17,988	\$ 86,860	\$ 7,310,630

Adult Education Fund due to General Fund for indirect costs and benefits	\$ 71,729
Adult Education Fund due to Self-Insurance Fund for workers comp. liabilities	1,396
Child Development Fund due to General Fund for indirect costs and benefits	101,261
Child Development Fund due to Self-Insurance Fund for workers comp. liabilities	1,225
Cafeteria Fund due to General Fund for drivers, benefits and indirect costs	363,040
Capital Project Fund for Blended Component Units due to General Fund for admin. fees	24,344
Cafeteria Fund due to Self-Insurance Fund for workers comp. liabilities	3,965
Building Fund due to General Fund for sales tax and benefits	3,847
Building Fund due to Self-Insurance Fund for workers comp. liabilities	253
General Fund due to Special Reserve Fund for Capital Outlay Projects for redevelopment funds	6,641,561
General Fund due to Cafeteria Fund for invoices and reserves	17,988
General Fund due to Self-Insurance Fund for workers comp. liabilities	80,021
Total	\$ 7,310,630

B. Interfund Transfers In/Out

Interfund transfers in/out of other funds during the 2023-24 year consisted of the following:

General Fund transfer to Special Reserve Fund for Capital Outlay Projects for RDA funds and special revenue transfer	\$ 6,641,561
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TUSTIN UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 5 – FUND BALANCES

At June 30, 2024, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay	Capital Projects Fund for Component Units	Non-Major Governmental Funds	Total
Nonspendable:							
Revolving cash	\$ 150,000	\$ -	\$ -		\$ -	\$ -	\$ 150,000
Stores inventories	428,727	-	-		-	95,855	524,582
Prepaid expenditures	432,118	-	-		-	-	432,118
Total Nonspendable	1,010,845	-	-	-	-	95,855	1,106,700
Restricted:							
Categorical programs	77,205,235	-	-	-	-	2,134,822	79,340,057
Adult education program	-	-	-	-	-	332,829	332,829
Food service program	-	-	-	-	-	16,574,477	16,574,477
Capital projects	-	11,906,682	54,735,067	-	3,099,717	19,203,200	88,944,666
Debt service	-	-	-	-	-	14,964,950	14,964,950
Student activity	-	-	-	-	-	1,145,067	1,145,067
Section 125	130,000	-	-	-	-	-	130,000
Total Restricted	77,335,235	11,906,682	54,735,067	-	3,099,717	54,355,345	201,432,046
Committed:							
Vacation liability	2,599,309	-	-	-	-	-	2,599,309
ADA and enrollment mitigation	9,955,827	-	-	-	-	-	9,955,827
Safety and security updates	3,265,577	-	-	-	-	-	3,265,577
Local protection reserve	36,524,979	-	-	-	-	-	36,524,979
Facilities maintenance reserve	9,516,387	-	-	-	-	-	9,516,387
Technology reserve	8,000,000	-	-	-	-	-	8,000,000
Classroom furniture reserve	100,000	-	-	-	-	-	100,000
One-time discretionary	34,278,078	-	-	-	-	-	34,278,078
Textbook adoption	6,000,000	-	-	-	-	-	6,000,000
Anthem HRA balance reserve	20,000	-	-	-	-	-	20,000
Wellness carryover	145,520	-	-	-	-	-	145,520
Health and welfare ACA IRS fees	100,000	-	-	-	-	-	100,000
School local program carryover	588,609	-	-	-	-	-	588,609
Pension liability	3,400,000	-	-	-	-	-	3,400,000
LCAP & District priority	4,885,990	-	-	-	-	-	4,885,990
MAA/Medi-Cal program	1,251,471	-	-	-	-	-	1,251,471
Health and welfare insurance rebate	2,162,589	-	-	-	-	-	2,162,589
Staffing continuity	3,486,894	-	-	-	-	-	3,486,894
Total Committed	126,281,230	-	-	-	-	-	126,281,230
Assigned:							
Adult education program	-	-	-	-	-	1,570,667	1,570,667
Child development operations	-	-	-	-	-	974,005	974,005
Deferred maintenance program	10,603,985	-	-	-	-	-	10,603,985
Other assignments	8,884,621	-	-	-	-	-	8,884,621
Capital outlay projects	-	-	-	46,290,696	-	-	46,290,696
GASB 31 2023-24 FMV adjustment	(47,847)	-	-	(111,448)	-	(19,174)	(178,469)
Total Assigned	19,440,759	-	-	46,179,248	-	2,525,498	68,145,505
Unassigned:							
Reserve for economic uncertainties	10,805,759	-	-	-	-	-	10,805,759
Total Unassigned	10,805,759	-	-	-	-	-	10,805,759
Total	\$ 234,873,828	\$ 11,906,682	\$ 54,735,067	\$ 46,179,248	\$ 3,099,717	\$ 56,976,698	\$ 407,771,240

TUSTIN UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2024*

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Retirements	Balance, June 30, 2024
Capital assets not being depreciated:				
Land	\$ 176,147,527	\$ -	\$ -	\$ 176,147,527
Construction in progress	30,302,026	15,366,605	2,023,928	43,644,703
Total capital assets not being depreciated	<u>206,449,553</u>	<u>15,366,605</u>	<u>2,023,928</u>	<u>219,792,230</u>
Capital assets being depreciated:				
Improvement of sites	68,997,226	1,628,347	-	70,625,573
Buildings	575,795,063	1,869,292	162,982	577,501,373
Equipment	32,288,947	1,494,320	594,458	33,188,809
Total capital assets being depreciated	<u>677,081,236</u>	<u>4,991,959</u>	<u>757,440</u>	<u>681,315,755</u>
Accumulated depreciation for:				
Improvement of sites	(33,927,946)	(3,122,321)	-	(37,050,267)
Buildings	(190,879,642)	(13,372,219)	(104,768)	(204,147,093)
Equipment	(24,038,992)	(1,827,922)	(590,938)	(25,275,976)
Total accumulated depreciation	<u>(248,846,580)</u>	<u>(18,322,462)</u>	<u>(695,706)</u>	<u>(266,473,336)</u>
Subscription assets:				
IT subscriptions	2,658,030	2,086,123	63,164	4,680,989
Accumulated amortization for:				
IT subscriptions	(389,957)	(1,039,388)	-	(1,429,345)
Total subscription assets, net	<u>2,268,073</u>	<u>1,046,735</u>	<u>63,164</u>	<u>3,251,644</u>
Governmental activity capital assets, net	<u>\$ 636,952,282</u>	<u>\$ 3,082,837</u>	<u>\$ 2,148,826</u>	<u>\$ 637,886,293</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Changes in long-term debt for the fiscal year ended June 30, 2024, were as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 168,450,000	\$ -	\$ 11,995,000	\$ 156,455,000	\$ 12,355,000
Unamortized Issuance Premium	11,453,455	-	1,212,274	10,241,181	1,141,141
Total - GO Bonds	179,903,455	-	13,207,274	166,696,181	13,496,141
Workers' Compensation Claims	2,066,578	1,392,729	2,757,022	702,285	-
Compensated Absences	2,386,827	444,601	-	2,831,428	-
SBITAs	14,835	638,054	233,065	419,824	207,188
Totals	\$ 184,371,695	\$ 2,475,384	\$ 16,197,361	\$ 170,649,718	\$ 13,703,329

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, \$11.1 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, 2024, deferred amounts on refunding were \$6,806,953.

Below is a schedule of bonds issued and outstanding as of June 30, 2024.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Measure L:								
2008C	5/8/2013	2023	2.0% - 4.0%	\$ 25,000,000	\$ 670,000	\$ -	\$ 670,000	\$ -
2008D	2/18/2015	2038	3.0% - 3.375%	20,000,000	17,400,000	-	430,000	16,970,000
Measure S:								
2012A	3/14/2013	2023	2.0% - 5.0%	35,000,000	675,000	-	675,000	-
2012B	2/15/2018	2041	2.0% - 5.0%	20,000,000	9,635,000	-	130,000	9,505,000
2012C	2/8/2023	2032	4%-5.0%	20,000,000	20,000,000	-	3,700,000	16,300,000
Refunding Bonds:								
Refunding	1/28/2015	2032	2.0% - 5.0%	23,795,000	6,305,000	-	1,535,000	4,770,000
Refunding	4/6/2016	2029	5%	15,195,000	13,270,000	-	2,090,000	11,180,000
Refunding	4/6/2016	2037	2% - 5%	26,545,000	23,430,000	-	1,760,000	21,670,000
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	11,430,000	-	305,000	11,125,000
Refunding	3/11/2021	2042	0.157%-2.649%	23,570,000	22,905,000	-	385,000	22,520,000
Refunding	3/11/2021	2037	0.157%-2.354%	22,045,000	21,515,000	-	315,000	21,200,000
Totals					\$ 168,450,000	\$ -	\$ 11,995,000	\$ 156,455,000

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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
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
2028-29	10,445,000	3,325,881	13,770,881
2029-34	51,610,000	11,422,492	63,032,492
2034-39	32,055,000	4,455,953	36,510,953
2039-43	16,000,000	837,828	16,837,828
Totals	\$ 156,455,000	\$ 37,340,501	\$ 193,795,501

B. Subscription-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2024, the District has recognized a right-to-use subscriptions IT asset of \$3,251,644 net of amortization and a SBITA liability of \$419,824 related to these agreements. During the fiscal year, the District recorded \$1,039,388 in amortization expense. The District is required to make annual principal and interest payments through July 1, 2025. The subscriptions have an interest rate of 2.63% to 5.0%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total
2024-25	\$ 207,188	\$ 9,085	\$ 216,273
2025-26	212,636	3,584	216,220
Totals	\$ 419,824	\$ 12,669	\$ 432,493

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 \$2,335,615 as of June 30, 2024, does not represent debt of the District and, as such, does not appear in the financial statements.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, 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	\$ 31,883,965	\$ 3,915,937	\$ 9,188,944	\$ 1,849,608
MPP Program	989,239	-	-	(28,841)
Totals	<u>\$ 32,873,204</u>	<u>\$ 3,915,937</u>	<u>\$ 9,188,944</u>	<u>\$ 1,820,767</u>

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 the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	97
Active employees	<u>1,632</u>
Total	<u>1,729</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

Total OPEB Liability

The District's total OPEB liability of \$31,883,965 was measured as of June 30, 2024 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	6.50 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 ages: 4.50 percent for all years

Actuarial assumptions used in the July 1, 2022 valuation were based on a review of plan experience during the period July 1, 2020 to June 30, 2022.

Discount Rate

The discount rate is 3.97 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.

Mortality Rates

Following are the tables the mortality assumptions are based upon.

Certificated	Mortality rates for active employees from CalSTRS Experience Analysis (2015-2018).
Classified	Mortality rates from CalPERS Experience Study (2000-2019).

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).

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2023	\$ 30,466,573
Changes for the year:	
Service cost	1,532,164
Interest	1,215,254
Changes of assumptions	(289,210)
Benefit payments	(1,040,816)
Net changes	1,417,392
Balance at June 30, 2024	\$ 31,883,965

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	\$ 34,604,026
Current discount rate	\$ 31,883,965
1% increase	\$ 29,369,648

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	\$ 28,031,273
Current trend rate	\$ 31,883,965
1% increase	\$ 36,386,171

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense of \$1,849,608. In addition, at June 30, 2024, 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	\$ -	\$ 4,984,406
Changes of assumptions	3,915,937	4,204,538
Totals	<u>\$ 3,915,937</u>	<u>\$ 9,188,944</u>

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
2025	\$ 1,111,111	\$ 2,008,921
2026	1,111,111	2,008,921
2027	1,111,110	1,944,052
2028	496,070	1,805,222
2029	54,083	1,024,077
Thereafter	32,452	397,751
Totals	<u>\$ 3,915,937</u>	<u>\$ 9,188,944</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2022 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, 4,457 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, 2024, the District reported a liability of \$989,239 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, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. 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:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2024</u>	<u>Fiscal Year Ending June 30, 2023</u>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net OPEB Liability	0.326011%	0.309061%	0.016950%

For the year ended June 30, 2024, the District reported OPEB expense of \$(28,841).

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2022 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, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
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 179 or an average of 0.13% of the potentially eligible population of 138,780.

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, 2023, 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, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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	\$ 1,075,101
Current discount rate	\$ 989,239
1% increase	\$ 914,582

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	\$ 910,198
Current trend rate	\$ 989,239
1% increase	\$ 1,078,475

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, 2024, 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	\$ 167,864,776	\$ 55,145,626	\$ 9,943,564	\$ 22,143,389
CalPERS	104,434,319	48,966,581	14,329,475	17,474,613
Totals	<u>\$ 272,299,095</u>	<u>\$ 104,112,207</u>	<u>\$ 24,273,039</u>	<u>\$ 39,618,002</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2022, 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 STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
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%

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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 established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were \$26,912,080.

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

At June 30, 2024, 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	\$	167,864,776
State's proportionate share of the net pension liability associated with the District		80,428,735
Total	\$	<u>248,293,511</u>

The net pension liability was measured as of June 30, 2023. 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		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.220408%	0.205931%	0.014477%

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, the District recognized pension expense of \$22,143,389. In addition, the District recognized pension expense and revenue of \$(1,167,990) for support provided by the State. At June 30, 2024, 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	\$ 26,912,080	\$ -
Net change in proportionate share of net pension liability	13,351,612	961,947
Difference between projected and actual earnings on pension plan investments	718,529	-
Changes of assumptions	971,998	-
Differences between expected and actual experience	13,191,407	8,981,617
Totals	\$ 55,145,626	\$ 9,943,564

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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 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
2025	\$ 1,723,537	\$ 3,374,811
2026	1,644,319	6,328,275
2027	15,563,071	80,159
2028	2,450,877	80,159
2029	2,394,488	80,160
Thereafter	4,457,254	-
Totals	\$ 28,233,546	\$ 9,943,564

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
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, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	38.0%	5.25%
Real Estate	15.0%	4.05%
Private Equity	14.0%	6.75%
Fixed Income	14.0%	2.45%
Risk Mitigating Strategies	10.0%	2.25%
Inflation Sensitive	7.0%	3.65%
Cash/Liquidity	2.0%	0.05%

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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 the 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%)	\$ 281,579,767
Current discount rate (7.10%)	\$ 167,864,776
1% increase (8.10%)	\$ 73,411,222

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. Under accounting principles generally accepted in the United States of America, these contributions 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 \$12,864,700.

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, 2022 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>.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	26.68%	26.68%

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, 2024 are presented above, and the total District contributions were \$14,178,991.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$104,434,319. The net pension liability was measured as of June 30, 2023. 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		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.288501%	0.287461%	0.001040%

For the year ended June 30, 2024, the District recognized pension expense of \$17,474,613. At June 30, 2024, 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	\$ 14,178,991	\$ -
Net change in proportionate share of net pension liability	2,487,037	202,394
Difference between projected and actual earnings on pension plan investments	23,678,202	12,523,123
Changes of assumptions	4,811,247	-
Differences between expected and actual experience	3,811,104	1,603,958
Totals	\$ 48,966,581	\$ 14,329,475

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 3.8 years.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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
2025	\$ 13,311,159	\$ 7,312,457
2026	12,177,992	7,017,019
2027	8,888,823	-
2028	409,616	-
Totals	<u>\$ 34,787,590</u>	<u>\$ 14,329,476</u>

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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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%)	\$ 150,985,030
Current discount rate (6.9%)	\$ 104,434,319
1% increase (7.9%)	\$ 65,961,216

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, 2024, the District reported payables of \$198,701 and \$880,358 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024, the District had commitments with respect to unfinished capital projects of approximately \$7.2 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, 2024.

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, 2024, 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 2023-24, 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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2022 to June 30, 2024:

	Workers' Compensation
Liability Balance, July 1, 2022	\$ 4,890,327
Claims and changes in estimates	(177,212)
Claims payments	(2,646,537)
Liability Balance, June 30, 2023	2,066,578
Claims and changes in estimates	1,392,729
Claims payments	(2,757,022)
Liability Balance, June 30, 2024	\$ 702,285
Assets available to pay claims at June 30, 2024	\$ 8,298,098

NOTE 13 – SUBSEQUENT EVENT

2024 Refunding Revenue Bonds

On August 6, 2024, the District issued \$99,210,000 of Refunding Revenue Bonds. The refunding bonds were issued as serial bonds bearing a yield of 3.67% and 3.626% and maturing between August 1, 2024 through September 1, 2042. The proceeds of the refunding bonds were used to refund \$15,505,000 of previously issued CFD 07-1 bonds and \$83,705,000 of previously issued CFD 14-1 bonds.

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Required Supplementary Information

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TUSTIN UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 262,717,418	\$ 263,087,210	\$ 263,087,209	\$ (1)
Federal sources	24,260,722	25,494,349	23,937,811	(1,556,538)
Other State sources	78,146,395	71,201,454	69,334,509	(1,866,945)
Other Local sources	13,984,881	32,997,817	30,811,000	(2,186,817)
Total Revenues	379,109,416	392,780,830	387,170,529	(5,610,301)
Expenditures				
Current:				
Certificated salaries	145,627,022	144,060,420	143,730,216	330,204
Classified salaries	58,708,631	55,394,930	55,367,040	27,890
Employee benefits	102,059,226	87,845,965	87,705,301	140,664
Books and supplies	15,357,815	14,069,783	9,621,874	4,447,909
Services and other operating expenditures	39,040,128	42,574,087	42,241,071	333,016
Transfers of indirect cost	(443,081)	(391,456)	(391,456)	-
Capital outlay	5,255,400	9,876,127	9,686,013	190,114
Intergovernmental transfers	4,404,696	5,480,467	5,558,491	(78,024)
Total Expenditures	370,009,837	358,910,323	353,518,550	5,391,773
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	9,099,579	33,870,507	33,651,979	(218,528)
Other Financing Sources and Uses				
Interfund transfers out	(3,500,000)	(6,641,561)	(6,641,561)	-
Proceeds from subscription leases	-	419,523	638,054	218,531
Total Other Financing Sources and Uses	(3,500,000)	(6,222,038)	(6,003,507)	218,531
Excess (Deficiency) of Revenues and Other				
Financing Sources Over (Under)				
Expenditures and Other Financing Uses	5,599,579	27,648,469	27,648,472	3
Fund Balances, June 30, 2023	165,982,848	187,654,597	187,784,597	130,000
Fund Balances, June 30, 2024	\$ 171,582,427	\$ 215,303,066	215,433,069	\$ 130,003
Fund Balances included in the Statement of Revenues, Expenditures and				
Changes in Fund Balances:				
Deferred Maintenance Fund			10,581,017	
Special Revenue Fund for Other than Capital Outlay			8,859,742	
Reported General Fund balance on the Statement of Revenues, Expenditures				
and Changes in Fund Balances:			\$ 234,873,828	

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2024

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years				
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19
District's proportion of the net pension liability	0.2204%	0.2059%	0.2056%	0.2062%	0.2026%
District's proportionate share of the net pension liability	\$ 167,864,776	\$ 143,093,370	\$ 93,559,676	\$ 199,854,642	\$ 182,941,161
State's proportionate share of the net pension liability associated with the District	80,428,735	71,660,601	47,075,600	103,025,091	99,806,617
Totals	\$ 248,293,511	\$ 214,753,971	\$ 140,635,276	\$ 302,879,733	\$ 282,747,778
District's covered-employee payroll	\$ 149,334,332	\$ 121,122,932	\$ 113,032,204	\$ 113,026,140	\$ 110,335,670
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.41%	118.14%	82.77%	176.82%	165.80%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Employer's Fiscal Year Measurement Period	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15	2014-15 2013-14
District's proportion of the net pension liability	0.2012%	0.2037%	0.2030%	0.2080%	0.1970%
District's proportionate share of the net pension liability	\$ 184,955,509	\$ 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	105,895,679	111,459,058	93,483,306	74,062,308	69,515,662
Totals	\$ 290,851,188	\$ 299,864,484	\$ 257,671,736	\$ 214,096,228	\$ 184,636,552
District's covered-employee payroll	\$ 108,075,662	\$ 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	171.14%	172.64%	160.28%	147.08%	130.29%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2024

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years				
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19
District's proportion of the net pension liability	0.2885%	0.2875%	0.2837%	0.2737%	0.2765%
District's proportionate share of the net pension liability	\$ 104,434,319	\$ 98,912,543	\$ 57,697,376	\$ 83,976,713	\$ 80,573,260
District's covered-employee payroll	\$ 50,200,402	\$ 44,022,396	\$ 40,567,536	\$ 39,287,100	\$ 37,936,502
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	208.03%	224.69%	142.23%	213.75%	212.39%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Employer's Fiscal Year Measurement Period	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15	2014-15 2013-14
District's proportion of the net pension liability	0.2783%	0.2701%	0.2632%	0.2573%	0.2517%
District's proportionate share of the net pension liability	\$ 74,191,678	\$ 64,486,058	\$ 51,982,163	\$ 37,926,274	\$ 28,574,079
District's covered-employee payroll	\$ 36,680,954	\$ 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	202.26%	187.46%	164.48%	133.32%	107.78%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	\$ 26,912,080	\$ 28,522,857	\$ 20,494,000	\$ 18,254,701	\$ 19,327,470
Contributions in relation to the contractually required contribution	26,912,080	28,522,857	20,494,000	18,254,701	19,327,470
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 140,900,944	\$ 149,334,332	\$ 121,122,932	\$ 113,032,204	\$ 113,026,140
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.92%	16.15%	17.10%
Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 17,962,646	\$ 15,595,318	\$ 13,728,423	\$ 10,991,785	\$ 8,454,730
Contributions in relation to the contractually required contribution	17,962,646	15,595,318	13,728,423	10,991,785	8,454,730
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 110,335,670	\$ 108,075,662	\$ 109,128,959	\$ 102,439,748	\$ 95,210,923
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2024

<i>Last Ten Fiscal Years</i>					
Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	\$ 14,178,991	\$ 12,735,842	\$ 10,085,531	\$ 8,397,480	\$ 7,747,809
Contributions in relation to the contractually required contribution	14,178,991	12,735,842	10,085,531	8,397,480	7,747,809
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 53,144,644	\$ 50,200,402	\$ 44,022,396	\$ 40,567,536	\$ 39,287,100
Contributions as a percentage of covered-employee payroll	26.680%	25.370%	22.910%	20.700%	19.721%
Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 6,852,091	\$ 5,696,919	\$ 4,777,496	\$ 3,744,160	\$ 3,348,567
Contributions in relation to the contractually required contribution	6,852,091	5,696,919	4,777,496	3,744,160	3,348,567
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 37,936,502	\$ 36,680,954	\$ 34,400,173	\$ 31,604,288	\$ 28,447,600
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2024

Employer Fiscal Year End Measurement Period	Last Ten Fiscal Years*						
	2023-24 2023-24	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	\$ 1,532,164	\$ 1,531,380	\$ 2,127,358	\$ 1,889,443	\$ 1,918,302	\$ 1,748,747	\$ 2,566,474
Interest	1,215,254	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	(289,210)	411,033	(5,234,847)	(1,346,949)	3,977,883	5,535,368	(628,089)
Benefit payments	(1,040,816)	(1,049,321)	(1,002,675)	(860,364)	(1,183,552)	(1,223,090)	(802,233)
Net change in total OPEB liability	1,417,392	(2,333,193)	(3,384,167)	(2,906,316)	5,777,163	7,147,314	2,084,751
Total OPEB liability - beginning	30,466,573	32,799,766	36,183,933	39,090,249	33,313,086	26,165,772	24,081,021
Total OPEB liability - ending	\$ 31,883,965	\$ 30,466,573	\$ 32,799,766	\$ 36,183,933	\$ 39,090,249	\$ 33,313,086	\$ 26,165,772
Covered-employee payroll	\$ 178,107,958	\$ 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	17.90%	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, 2024

Employer Fiscal Year End Measurement Period	Last Ten Fiscal Years*						
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.3260%	0.3091%	0.3090%	0.3125%	0.3131%	0.3165%	0.3242%
District's proportionate share of net OPEB liability	\$ 989,239	\$ 1,018,080	\$ 1,232,626	\$ 1,324,498	\$ 1,165,843	\$ 1,211,321	\$ 1,364,137
Covered-employee payroll	N/A	N/A	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	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

* 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

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2024

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.

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.

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 3.86 percent to 3.97 percent since the previous valuation.

TUSTIN UNIFIED SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024*

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

Change of assumptions – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

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Supplementary Information

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TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2024

		Reported to CDE	
		Second Period	Annual
		Report	Report
Regular & Extended Year ADA:			
Grades TK/K-3		5,650.15	5,656.56
Grades 4-6		4,572.00	4,573.71
Grades 7-8		3,100.30	3,099.02
Grades 9-12		7,209.18	7,065.54
Total Regular & Extended Year ADA		20,531.63	20,394.83
Special Education, Nonpublic, Nonsectarian Schools:			
Grades TK/K-3		1.00	1.05
Grades 4-6		2.20	2.57
Grades 7-8		1.66	1.81
Grades 9-12		14.55	15.85
Total Special Education, Nonpublic, Nonsectarian Schools		19.41	21.28
Total ADA		20,551.04	20,416.11

		As Audited	
		Second Period	Annual
		Report	Report
Regular & Extended Year ADA:			
Grades TK/K-3		5,649.73	5,656.56
Grades 4-6		4,573.76	4,573.71
Grades 7-8		3,098.91	3,098.99
Grades 9-12		7,201.68	7,197.19
Total Regular & Extended Year ADA		20,524.08	20,526.45
Special Education, Nonpublic, Nonsectarian Schools:			
Grades TK/K-3		1.00	1.05
Grades 4-6		2.20	2.57
Grades 7-8		1.66	1.81
Grades 9-12		14.55	15.85
Total Special Education, Nonpublic, Nonsectarian Schools		19.41	21.28
Total ADA		20,543.49	20,547.73

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2024

Grade Level	Instructional Minutes Offered				Instructional Days Offered			Status
	Instructional Minute Requirement	Actual Minutes Offered	J-13A Credited	Total	Actual Days Offered	J-13A Credited	Total	
Kindergarten	36,000	48,690	2,600	51,290	171	9	180	Complied
Grade 1	50,400	52,004	2,600	54,604	171	9	180	Complied
Grade 2	50,400	52,004	2,600	54,604	171	9	180	Complied
Grade 3	50,400	52,004	2,600	54,604	171	9	180	Complied
Grade 4	54,000	52,004	2,600	54,604	171	9	180	Complied
Grade 5	54,000	52,004	2,600	54,604	171	9	180	Complied
Grade 6	54,000	56,854	4,046	60,900	169	11	180	Complied
Grade 7	54,000	56,854	4,046	60,900	169	11	180	Complied
Grade 8	54,000	56,854	4,046	60,900	169	11	180	Complied
Grade 9	64,800	61,775	4,046	65,821	169	11	180	Complied
Grade 10	64,800	61,775	4,046	65,821	169	11	180	Complied
Grade 11	64,800	61,775	4,046	65,821	169	11	180	Complied
Grade 12	64,800	61,775	4,046	65,821	169	11	180	Complied

** The District received an approved J-13A waiver for a different amount of days at various school sites. The largest amount of days/minutes is reported for each grade level.*

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2024

General Fund	(Budget) 2025 ²	2024 ³	2023	2022
Revenues and other financing sources	\$ 349,808,424	\$ 387,808,583	\$ 385,121,774	\$ 319,634,163
Expenditures	364,103,494	353,518,550	331,058,450	291,441,132
Other uses and transfers out	3,500,000	6,641,561	6,060,022	5,850,088
Total outgo	367,603,494	360,160,111	337,118,472	297,291,220
Change in fund balance (deficit)	(17,795,070)	27,648,472	48,003,302	22,342,943
Ending fund balance	\$ 197,637,999	\$ 215,433,069	\$ 187,784,597	\$ 139,781,295
Available reserves ¹	\$ 11,028,127	\$ 10,805,759	\$ 10,192,050	\$ 8,918,737
Available reserves as a percentage of total outgo	3.0%	3.0%	3.0%	3.0%
Total long-term debt	\$ 462,118,688	\$ 475,822,017	\$ 457,862,261	\$ 362,240,067
Average daily attendance at P-2	20,105	20,543	20,531	20,880

The General Fund balance has increased by approximately \$75.7 million over the past two years. The fiscal year 2024-25 adopted budget projects a decrease of approximately \$17.8 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 deficit during the 2024-25 fiscal year. Long-term debt has increased by \$113.6 million over the past two years primarily from changes in pension and OPEB actuarial amounts.

Average daily attendance decreased by 337 since 2021-22. In 2024-25, ADA is projected to decrease by 438.

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

² Budget as of September 2024.

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.

TUSTIN UNIFIED SCHOOL DISTRICT*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2024*

	<u>General Fund</u>
June 30, 2024, annual financial and budget report (SACS) fund balances	\$ 215,303,069
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Cash in banks understated	<u>130,000</u>
June 30, 2024, audited financial statement fund balances	<u><u>\$ 215,433,069</u></u>

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Sub-total 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	\$ 490,602	
School Breakfast Program - Especially Needy	10.553	13526	1,421,413	
National School Lunch Program	10.555	13523	4,379,110	
USDA Donated Foods	10.555	N/A	637,964	
Supply Chain Assistance (SCA) Funds	10.555	15655	1,284,405	
Total Child Nutrition Cluster				\$ 8,213,494
Total U.S. Department of Agriculture				8,213,494
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Secondary Education	84.002	13978	94,458	
Adult Basic Education & ESL	84.002A	14508	191,644	
Total Adult Education Grants				286,102
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,362,848	
School Improvement Funding for LEAs	84.010	15438	209,987	
Total Title I Grants				2,572,835
Title II, Part A, Supporting Effective Instruction Local Grant	84.367	14341		671,896
Title III, English Learner Student Program	84.365	14346		727,433
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		311,650
Carl Perkins Act - Secondary	84.048	14894		165,165
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency				
Relief II (ESSER II) Fund	84.425D	15547	277,316	
Elementary and Secondary School Emergency				
Relief III (ESSER III) Fund	84.425U	15559	13,088,209	
Elementary and Secondary School Emergency				
Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	433,937	
Expanded Learning Opportunities (ELO) Grant:				
ESSER III State Reserve Emergency Needs	84.425U	15620	503,016	
Expanded Learning Opportunities (ELO) Grant:				
ESSER III State Reserve Learning Loss	84.425U	15621	234,234	
ARP - Homeless Children and Youth II (ARP HYC II)	84.425U	15566	4,197	
Total Education Stabilization Fund				14,540,909
Special Education Individuals				
with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	4,343,690	
Preschool Grants, Part B, Sec 619	84.173	13430	78,705	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	262,199	
Preschool Staff Development	84.173A	13431	1,164	
Alternate Dispute Resolution	84.173A	13007	27,209	
Total Special Education Cluster (IDEA)				4,712,967
Early Intervention Grants, Part C	84.181	23761		61,210
Workability II, Transition	84.126	10006		186,104
Total U.S. Department of Education				24,236,271
Total Expenditures of Federal Awards				\$ 32,449,765

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

TUSTIN UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2024

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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 32,879,226
Differences between Federal Revenues and Expenditures:		
ESSA: School Improvement Funding for LEAs	84.010	12,358
Adult Basic Education & ESL	84.002A	2,217
Adult Secondary Education	84.002	9,313
Early Education: Federal Child Care, Center-based	93.596	(453,349)
Total Schedule of Expenditures of Federal Awards		\$ 32,449,765

Other Information

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TUSTIN UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2024

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
Allyson Damikolas	President	November, 2024
Jonathan Stone	Vice President	November, 2024
Lynn Davis	Clerk	November, 2026
James Laird	Member	November, 2024
Jonathan Abelow	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

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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, 2024, 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 12, 2024.

Report on Internal Control Over Financial Reporting

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

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

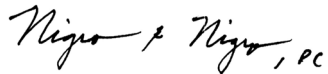
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.

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Murrieta, California
December 12, 2024



**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, 2024. 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, 2024.

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.

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.

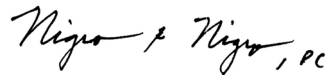
Report on Internal Control Over Compliance

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.

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Murrieta, California
December 12, 2024

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER 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 *2023-24 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, 2024.

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, 2024.

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 *2023-24 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.

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 2023-24 *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 2023-24 *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 2023-24 *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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	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
Expanded Learning Opportunities Program	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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2024-001 through 2024-006. Our opinion on each state program is not modified with respect to these matters.

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

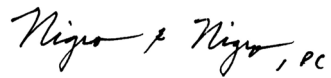
Report on Internal Control over Compliance

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 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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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Murrieta, California
December 12, 2024

Schedule of Findings and Questioned Costs

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TUSTIN UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2024

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
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 973,493
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditor's report issued on compliance for state programs:	Unmodified
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TUSTIN UNIFIED SCHOOL DISTRICT

Financial Statement Findings

For the Fiscal Year Ended June 30, 2024

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
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 2023-24.

TUSTIN UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

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 2023-24.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

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

FINDING 2024-001: INDEPENDENT STUDY (10000)

Repeat Finding? No

Criteria: Pursuant to Education Code Section 51744-51749.6, every written independent study agreement is required to contain the following required elements:

1. 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.
2. 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
3. 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)
4. 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.
5. A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code Section 51747:
 - A. The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and
 - B. The level of satisfactory educational progress as defined in Education Code Section 51747(b)(2)(A)-(D); and
 - C. 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.
6. 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
7. 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
8. 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.
9. A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-001: INDEPENDENT STUDY (10000) (continued)

Condition: During testing of independent study attendance, we noted the following elements were missing from one agreement at Hillview Continuation:

- 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 number of assignments a pupil may miss before there must be an evaluation of whether independent study is in the pupil's best interest

We also noted instances of missing signatures or signatures beyond the 10 schooldays for a student scheduled for less than 15 schooldays.

The total ADA by grade span for non-compliant independent study is documented in the Schedule of ADA in the supplementary information section.

Context: Errors were noted at Hicks Canyon Elementary, Pioneer Middle, Hillview Continuation and Heritage Elementary conducting independent study throughout the 2023-24 school year.

Cause: Hillview Continuation was using an outdated independent study agreement for one student. Additionally, the District was unaware that signatures were not being obtained within the required timeframe.

Effect: The calculation based on derived value of ADA totals a questioned cost of \$3,848. The District has overstated ADA on the P-2 by 0.32 as follows:

<u>Grade Span</u>	<u>P-2 ADA</u>	<u>Amount*</u>
K-3	0.21	\$ 2,515
7-8	0.07	794
9-12	0.04	539

*Apportionment funding is based on the P-2 reporting period.

Recommendation: We recommend that all independent study contracts be updated to reflect all required elements and school sites monitor signatures more carefully to ensure compliance.

Views of Responsible Officials: To address this matter and ensure full compliance moving forward, we have developed the following plan of action and taken the following steps:

- Updating Independent Study Agreements:
 - All independent study agreements have been reviewed and updated to include the required elements. Prior versions of the independent study agreements have been removed from circulation, and the current version is published on the District's Data Café sharepoint.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-001: INDEPENDENT STUDY (10000) (continued)

Views of Responsible Officials: (continued)

- Reviewing Protocols and Procedures:
 - A comprehensive review of protocols and procedures has been conducted with all school sites, including Hillview Continuation, Hicks Canyon Elementary, Pioneer Middle, and Heritage Elementary.
 - Staff members have been trained on the requirements to ensure compliance with timelines and signatures.
- Ensuring Timely Signatures:
 - Beginning 2024-25, short term independent study agreements may be signed at any time during the school year (SB 153). Training will be provided to administrative staff to ensure short term independent study agreements are signed and dated in accordance with new requirements.
- Oversight and Accountability:
 - Designated staff members at each school site are assigned to oversee the independent study process and ensure all requirements are met.
- Preventative Measures

We will review our practices on an ongoing basis to ensure independent study requirements are met. Additionally, all relevant staff will receive annual training on independent study requirements.

FINDING 2024-002: INDEPENDENT STUDY RATIO (10000)

Repeat Finding? No

Criteria: Pursuant to Education Code section 51745.6, the ratio of average daily attendance for independent study pupils 18 years of age or less to school district full-time equivalent certificated employees responsible for independent study, calculated as specified by the department, shall not exceed the equivalent ratio of average daily attendance to full-time equivalent certificated employees providing instruction in other educational programs operated by the school district, unless a new higher or lower average daily attendance ratio for all other educational programs offered is negotiated in a collective bargaining agreement or a memorandum of understanding is entered into that indicates an existing collective bargaining agreement contains an alternative average daily attendance ratio.

Context: The District reported excess ADA of 12.6 on the independent study ratio calculation.

Cause: The District did not have enough certificated employees providing instruction to independent study pupils for the amount of ADA claimed.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-002: INDEPENDENT STUDY RATIO (10000) (continued)

Effect: The calculation based on derived value of ADA totals a questioned cost of \$162,173. The excess ADA reported on P-2 is as follows:

<u>Grade Span</u>	<u>P-2 ADA</u>	<u>Amount*</u>
K-3	0.86	\$ 10,300
4-6	1.29	14,206
7-8	1.50	17,007
9-12	8.95	120,660

*Apportionment funding is based on the P-2 reporting period.

Recommendation: We recommend the District monitor this ratio before submitting final attendance reports. If excess ADA is identified, it will need to be reported by grade span on line B-2 of the P-2 and Annual.

Views of Responsible Officials: To ensure ongoing compliance with Independent Study (IS) ratio requirements, the District is taking the following steps to strengthen oversight and compliance:

- **Enhanced Monitoring Framework:** The District is implementing an additional layer of monitoring to evaluate Independent Study ratios regularly. This includes developing a tracking system that compares IS ratios to classroom-based ratios as part of the current enrollment reporting process.
- **Reporting Mechanism:** A reporting process has been established to document ratio evaluations, enabling quick identification and resolution of discrepancies.
- **Staff Training and Communication:** Relevant staff will be provided with updated training on the ratio requirements and procedures for maintaining compliance. Expectations and processes are communicated through written guidelines and routine meetings.

Combined with our existing compliance efforts, these measures will ensure that Independent Study ratios remain consistent with classroom-based ratios. The District is committed to upholding educational equity and adhering to all applicable guidelines.

FINDING 2024-003: COMPREHENSIVE SCHOOL SAFETY PLANS (40000)

Repeat Finding? No

Criteria: Education Code section 32286 states that each school shall adopt its comprehensive school safety plan by March 1, 2000, and shall review and update its plan by March 1, every year thereafter.

Condition: Tustin Connect did not have their plan updated by the school safety planning committee by March 1st.

Context: The noncompliance was noted only at Tustin Connect Online School.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-003: COMPREHENSIVE SCHOOL SAFETY PLANS (40000) (continued)

Cause: The school site was unaware of the requirements.

Effect: There is no financial penalty associated with this finding.

Recommendation: We recommend all school sites be reminded of the March 1st requirement.

Views of Responsible Officials: This issue resulted from a minor oversight and is not indicative of a failure of practice or process.

For 2024-25, District staff have verified site compliance with Comprehensive School Safety Plan timelines as follows:

- The Comprehensive Safe School Plans for this school year's K-8 and High School campuses have already been prepared and submitted for review and approval at the SSC meeting scheduled on December 13, 2024.

To ensure future compliance with the March 1 deadline and adherence to Education Code section 32286, we have implemented the following measures:

- Regular Communication:
 - All school administrators have been reminded of the statutory requirement and will receive annual updates regarding deadlines and expectations for Safe School Plan reviews and submissions.
- Centralized Oversight:
 - The District Student Services office will monitor the progress of Safe School Plan development and review for all school sites to ensure timely compliance.
- Training and Support:

School site administrators will be trained and reminded of the importance of training SSC members on the requirements and best practices for developing, reviewing, and updating Comprehensive Safe School Plans on a yearly basis.

FINDING 2024-004: INSTRUCTIONAL MATERIALS (70000)

Repeat Finding? No

Criteria: Education Code Section 60119 states that a public hearing shall be held at a time that will encourage the attendance of teachers and parents and guardians of pupils who attend the schools in the school district and shall not take place during or immediately following school hours.

Condition: The instructional materials public hearing was held on September 27, 2023, at 9 a.m. which is during school hours.

Context: The public hearing was out of compliance with Education Code.

Cause: The person responsible for scheduling the hearing was unaware of the time requirements.

Effect: There is no financial penalty associated with this finding.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-004: INSTRUCTIONAL MATERIALS (70000) (continued)

Recommendation: We recommend the District ensure that future public hearings are held at a time outside of school hours.

Views of Responsible Officials: The District understands the importance of ensuring that public hearings are held in a manner that encourages the participation of teachers, parents, and guardians and does not occur during or immediately following school hours.

To address this matter and ensure full compliance moving forward, we have developed the following plan of action and taken the following steps:

- **Scheduling Policy Update:**
We will establish a formal policy that all public hearings held under Education Code Section 60119 must be scheduled at times conducive to attendance by teachers, parents, and guardians. Specifically:
 - Public hearings will be held in the early evening (e.g., 6:00 pm or later) to accommodate work schedules and allow sufficient time for attendees to arrive after their professional or personal obligations.
 - The hearings will not be scheduled during or immediately following school hours, ensuring adequate separation from the school day.
- **Communication and Notification:**
We will enhance our communication strategy to ensure stakeholders are aware of the hearing schedule well in advance. Notifications will be disseminated through the following:
 - District's website
 - Board Meeting Communications
- **Monitoring and Accountability:**
A designated staff will ensure adherence to Education Code Section 60119. This staff will:
 - Review and approve proposed hearing schedules.
- **Regular Review and Adjustments:**
We will review our practices annually to ensure they remain effective and compliant with the Education Code, including feedback from hearing attendees.

FINDING 2024-005: EXPANDED LEARNING OPPORTUNITY PROGRAM (40000)

Repeat Finding? No

Criteria: California Education Code Section 46120(b)(2)(D) states that the administrator shall ensure that the program maintains a pupil-to-staff member ratio of no more than 20 to 1, except programs serving transitional kindergarten or kindergarten pupils shall maintain a pupil-to-staff member ratio of no more than 10 to 1.

Condition: It was noted that out of the six sites we tested, one was out of compliance with the pupil-to-staff ratio.

Context: Exception found at one out of six schools tested.

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-005: EXPANDED LEARNING OPPORTUNITY PROGRAM (40000) (continued)

Cause: Pioneer Middle School had a before school component in order to meet the nine-hour requirement, but pupil-to-staff ratios were not monitored.

Effect: There is no financial penalty associated with noncompliance.

Recommendation: We recommend that the District ensure that every school site monitors the required ratios.

Views of Responsible Officials: In response to the audit finding concerning Pioneer Middle School's before-school component lacking proper documentation of student attendance and ratios:

TUSD Expanded Learning decided the most effective option was to manage all program attendance and ratios within the ExL programs by increasing program end-times past 6:00 pm for all site school days starting after 9:00 am to meet the 9-hour daily requirement.

For 2024-25, the following schools run ExL programs until 6:15 pm on any late start days:

- Hewes Middle School
- Pioneer Middle School
- Utt Middle School

ExL Program Coordinator will verify student to staff ratios with daily staffing and attendance reports on a monthly basis.

The program schedule with late start modification is outlined in all ExL communication.

FINDING 2024-006: ATTENDANCE ACCOUNTING (10000)

Repeat Finding? No

Criteria: California Education Code section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter. Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.

Condition: During our review of ADA totals reported by the District to CDE, we noted the following misstatements:

- Based on our recalculation, the District understated ADA reported on the P-2 Report of Attendance (Line-A-1) by the following amounts:
 - 0.65 ADA in grades TK/K-3,
 - 3.05 ADA in grades 4-6,
 - 0.18 ADA in grades 7-8
 - 1.49 ADA in grades 9-12

TUSTIN UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

FINDING 2024-006: ATTENDANCE ACCOUNTING (10000) (continued)

- Based on our recalculation, the District overstated ADA reported on the Annual Report of Attendance (Line-A-1) by the following amounts:
 - 0.03 ADA in grades 7-8
- Based on our recalculation, the District understated ADA reported on the Annual Report of Attendance (Line-A-1) by the following amounts:
 - 131.65 ADA in grades 9-12

Context: Errors were identified while tracing out reported attendance to the monthly attendance summaries.

Cause: The District noted this error during the audit process and attempted to make revisions but was unable to do so because of a closure in the reporting window.

Effect: The District's calculation based on derived value of ADA totals an additional amount owed to the District of \$63,500 for P-2. For Annual, there is no financial impact as the District is funded off P-2 for the affected line.

Recommendation: We recommend that the District develop policies and procedures, and implement controls, to ensure that pupil attendance is recorded and reported consistently and accurately.

Views of Responsible Officials: The District acknowledges the importance of maintaining consistent and accurate attendance reporting to meet compliance standards and ensure data integrity. In response to the audit finding, we have implemented a comprehensive plan of action and undertaken the following measures:

- **Formation of an Attendance Work Group:** A dedicated work group has been established to review and update current attendance practices. This team is also responsible for developing and delivering targeted staff training.
- **Development of a Consolidated Procedure Manual:** We have created a centralized attendance procedure manual designed specifically for attendance staff. This manual provides clear guidance on attendance processes and protocols.
- **Internal Attendance Reviews:** Regular internal reviews are being conducted by Attendance Accounting staff to assess adherence to updated attendance practices and identify any areas for improvement.
- **Improved Communication:** The revision process and attendance reporting deadlines are now clearly communicated to attendance staff through staff meetings and written correspondence to ensure consistent understanding and implementation.
- **Enhanced Reporting Process:** The attendance reporting process has been revised to include an additional layer of data review prior to Principal Apportionment reporting periods. This measure ensures that all reported data reflects the most current revisions and meets reporting standards.
- **Increased Training and Resources:** Additional resources and comprehensive training have been provided to attendance staff to strengthen their proficiency in attendance accounting and reporting.

Finally, the District will amend the attendance reports during the next available reporting period to address any identified discrepancies and ensure alignment with compliance requirements.

TUSTIN UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2023

There were no findings or questioned costs in 2022-23.



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, 2024, 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 12, 2024 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 Hillview High School (1 of 3 teachers tested) and Foothill High School (2 of 3 teachers tested). These exceptions had no impact on reported ADA.

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 bank reconciliations at the district office, it was noted that there were five stale dated checks ranging from 2019 to 2022 in the revolving cash account.

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

Observation: During our testing of cash disbursements at the district office, it was noted that twelve of eighty-five disbursements tested lacked pre-approval.

Recommendation: We recommend the District ensure all employees follow policy in regard to purchases.

ASSOCIATED STUDENT BODY (ASB)

Observation: During cash disbursement testing it was noted at Beckman High that five of the nineteen disbursements tested were shipped to personal addresses and four of those were also deemed to be an inappropriate use of ASB funds. Additionally, we noted various expenditures lacking pre-approval at Foothill, Tustin, and Beckman High Schools.

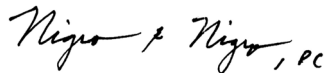
Recommendation: As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Additionally, ASB expenses should be for the benefit of the students. Also, items should only be shipped to the school and never to a personal address.

Observation: During our cash receipts testing at Pioneer Middle School, we noted three of the ten receipts were not deposited in a timely manner.

Recommendation: We recommend that deposits be made on a weekly basis or more often as needed. Money should never be left over the weekend or holidays since this is typically when thefts occur.

Observation: During our testing we noted two of ten receipts tested at Beckman High and one of ten at Tustin High lacked an audit trail from the point of collection.

Recommendation: Supporting documentation such as order forms, ticket control worksheets, pre-numbered receipts, and/or other point of sale documentation should be maintained for all transactions. Without these documents, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash.



Murrieta, California
December 12, 2024