

**TUSTIN UNIFIED SCHOOL DISTRICT
ORANGE COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2021**

TUSTIN UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2021

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TUSTIN UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2021

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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 Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tustin Unified School District, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 67 to 69 and the schedule of expenditures of federal awards on page 70 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 66 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
January 5, 2022

TUSTIN UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's District-wide net position consisting of the entire activities of the District except fiduciary activities increased by roughly \$14.9 million or 3.4% over the course of the year.
- Overall District-wide revenues were \$328.9 million.
- The total cost of basic programs was \$314.0 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$234.0 million.
- The District decreased its outstanding long-term debt other than pensions by \$10.5 million or 4.5%. This was primarily due to paying down the General Obligation Bond principal.
- Governmental funds increased by \$28.8 million, or 12.5%.
- Reserves for the General Fund increased by \$2.3 million, or 38.9%. Revenues, including other inflows, were \$303.5 million and expenditures and other outflows were \$276.9 million.

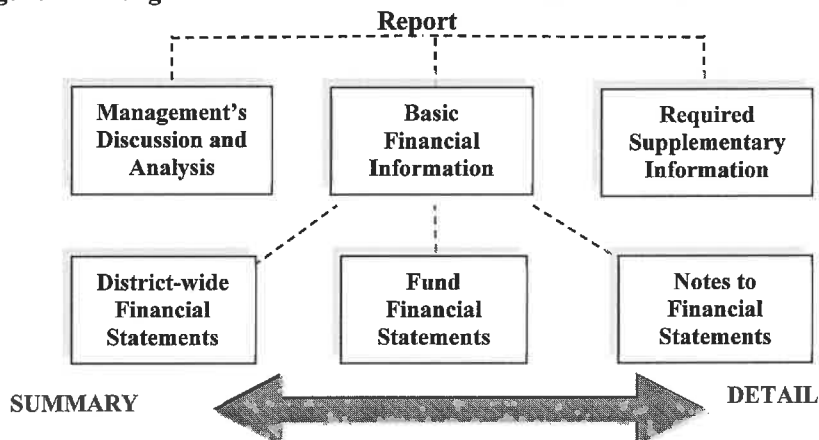
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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, 2021

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:

- ***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.
- ***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.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- **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. Individual fund data for the District's fiduciary funds are provided in the form of combining statements elsewhere in this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2021, than it was the year before increasing 3.4% to \$456.0 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2021	2020*	
Assets			
Current assets	\$ 297,044,489	\$ 266,761,428	\$ 30,283,061
Capital assets	632,282,369	638,966,232	(6,683,863)
Total assets	929,326,858	905,727,660	23,599,198
Deferred outflows of resources	86,143,104	84,378,358	1,764,746
Liabilities			
Current liabilities	32,338,731	31,835,859	502,872
Long-term liabilities	223,962,977	234,492,569	(10,529,592)
Net pension liability	283,831,355	263,514,421	20,316,934
Total liabilities	540,133,063	529,842,849	10,290,214
Deferred inflows of resources	19,335,921	19,144,492	191,429
Net position			
Net investment in capital assets	458,707,502	459,163,901	(456,399)
Restricted	144,844,949	129,650,874	15,194,075
Unrestricted	(147,551,473)	(147,696,098)	144,625
Total net position	\$ 456,000,978	\$ 441,118,677	\$ 14,882,301

*As restated

Changes in net position, governmental activities. The District's total revenues increased 7.6% to \$328.9 million (See Table A-2). The increase is due primarily to COVID-related federal and state grants.

The total cost of all programs and services increased 0.8% to \$314.0 million. The District's expenses are predominantly related to educating and caring for students, 77.5%. The purely administrative activities of the District accounted for just 5.3% of total costs. A significant contributor to the increase in costs was spending down COVID-related federal and state grants.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Revenues			
Program Revenues:			
Charges for services	\$ 2,507,847	\$ 6,072,776	\$ (3,564,929)
Operating grants and contributions	77,492,102	43,838,186	33,653,916
General Revenues:			
Property taxes	171,395,425	160,952,757	10,442,668
Federal and state aid not restricted	67,704,344	80,370,250	(12,665,906)
Other general revenues	9,821,785	14,577,765	(4,755,980)
Total Revenues	328,921,503	305,811,734	23,109,769
Expenses			
Instruction-related	212,062,937	204,741,040	7,321,897
Pupil services	31,452,037	31,180,459	271,578
Administration	16,595,232	17,469,925	(874,693)
Plant services	26,932,464	28,229,741	(1,297,277)
All other activities	26,996,532	30,026,225	(3,029,693)
Total Expenses	314,039,202	311,647,390	2,391,812
Increase (decrease) in net position	\$ 14,882,301	\$ (5,835,656)	\$ 20,717,957
Total Net Position	\$ 456,000,978	\$ 441,118,677	

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 \$258.6 million, which is above last year's ending fund balance of \$229.9 million. The primary cause of the increased fund balance is from restricted federal and state learning loss and expanded learning grants.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2020 *	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2021
General Fund	\$ 97,623,357	\$ 303,502,526	\$ 271,165,405	\$ (5,734,839)	\$ 124,225,639
Student Activity Special Revenue Fund	758,449	502,550	715,807	-	545,192
Adult Education Fund	1,697,200	1,593,416	1,305,859	-	1,984,757
Child Development Fund	730,053	3,539,485	3,305,976	-	963,562
Cafeteria Fund	1,719,622	6,903,440	6,202,228	-	2,420,834
Deferred Maintenance Fund	10,104,787	2,595,935	3,444,702	-	9,256,020
Special Reserve Fund (Other Than Capital Outlay)	8,202,205	63,532	-	-	8,265,737
Building Fund	4,248,117	32,778	965,417	-	3,315,478
Capital Facilities Fund	22,232,001	2,198,083	6,653,727	-	17,776,357
County School Facilities Fund	43,576,504	363,131	25,601	-	43,914,034
Special Reserve Fund (Capital Outlay)	22,799,764	-	195,887	5,734,839	28,338,716
Capital Outlay Fund for Blended Component Units	5,598,494	70,937	142,662	481,484	6,008,253
Bond Interest and Redemption Fund	10,569,070	16,068,159	15,451,242	447,796	11,633,783
	\$ 229,859,623	\$ 337,433,972	\$ 309,574,513	\$ 929,280	\$ 258,648,362

* As restated;

Self-Insurance Fund previously reported in governmental funds and is now reported as a proprietary fund.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

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 \$59.9 million primarily to reflect federal and state budget actions
- Expenses – increased about \$6.2 million as a result of District wide budget actions.

The actual results for the year show that revenues exceeded expenditures by roughly \$32.4 million. Actual revenues were \$12.0 million less than anticipated, and expenditures were \$12.0 million less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had invested \$10.1 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$16.8 million.

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

	Governmental Activities		Variance
	2021	2020	Increase (Decrease)
Land	\$ 176,147,527	\$ 176,147,527	\$ -
Improvement of sites	39,745,199	42,619,970	(2,874,771)
Buildings	348,635,396	356,910,497	(8,275,101)
Equipment	8,921,605	9,770,159	(848,554)
Construction in progress	58,832,642	53,518,079	5,314,563
Total	<u>\$ 632,282,369</u>	<u>\$ 638,966,232</u>	<u>\$ (6,683,863)</u>

Long-Term Debt

At year-end the District had \$224.0 million in long term debt other than pensions – a decrease of 4.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance
	2021	2020	Increase (Decrease)
General obligation bonds	\$ 179,583,120	\$ 185,913,069	\$ (6,329,949)
Workers' compensation claims	4,890,327	6,728,009	(1,837,682)
Compensated absences	1,981,099	1,595,399	385,700
Other postemployment benefits	37,508,431	40,256,092	(2,747,661)
Total	<u>\$ 223,962,977</u>	<u>\$ 234,492,569</u>	<u>\$ (10,529,592)</u>

Net pension liability increased during the year by \$20.3 million.

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

GASB 68

In 2015, the District implemented the new required pension standard known as "GASB 68". This standard requires government entities across the country to change the method of accounting and reporting for pensions. Before GASB 68, the District reported pension expense based solely on annual contributions to CalSTRS and CalPERS. While the District continues that practice within its governmental funds, there are new requirements for how those expenditures are measured within the "District-wide" financial statements. While the governmental funds continue to use the "modified accrual" basis of accounting, the "District-wide" financial statements use the "full accrual" accounting method. Therefore, pension expense is based on a new measure which requires the District to measure its "proportionate share" of the *expenses, net pension liability, deferred outflows of resources, and deferred inflows of resources* that exist within the CalSTRS and CalPERS pension plans' financial statements. These financial statement elements are unique in that the District has no control over them. The \$283.8 million *net pension liability* represents the District's 0.2062% share of the total CalSTRS liability and 0.2737% share of the total CalPERS liability. The impact of this new liability is not felt in the General Fund and does not affect reserves, other than the fact that the employer contribution rates for CalSTRS and CalPERS are projected to increase significantly over the next few years to help reduce the overall pension plan unfunded liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Budget Also Commits \$27 Billion in ARP Fiscal Relief Funds

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

Significant Increase in School and Community College Funding

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

TUSTIN UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs

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

Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten

Trailer legislation adopted in June 2020 would have required the state to make payments to schools and community colleges on top of the minimum funding requirement beginning in 2021-22. These supplemental payments were intended to accelerate the recovery of school funding from the decline the state anticipated last June. In recognition of the significant revenue increases (and ensuing increases in the guarantee) that have occurred since that time, the June 2021 budget plan repeals these payments. The budget, however, makes another commitment that will increase funding for schools—above the existing minimum requirement—on an ongoing basis. Specifically, it establishes a plan to make all four-year olds eligible for Transitional Kindergarten by 2025-26. (Currently, only children born between September 2 and December 2 are eligible.) The Legislature and the Governor have reached an agreement to cover the associated costs—approximately \$2.7 billion at full implementation—by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

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

All of these factors were considered in preparing the Tustin Unified School District budget for the 2021-22 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (714) 730-7301.

TUSTIN UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2021*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 253,127,523
Investments	
Accounts receivable	43,354,557
Inventories	562,409
Capital assets:	
Non-depreciable assets	234,980,169
Depreciable assets	610,759,923
Less accumulated depreciation	(213,457,723)
Total assets	929,326,858
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	9,199,654
Deferred outflows from OPEB	6,784,154
Deferred outflows from pensions	70,159,296
Total deferred outflows of resources	86,143,104
LIABILITIES	
Accounts payable	25,876,981
Unearned revenue	6,461,750
Long-term liabilities:	
Portion due or payable within one year	9,730,987
Portion due or payable after one year	214,231,990
Net pension liability	283,831,355
Total liabilities	540,133,063
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	4,696,693
Deferred inflows from pensions	14,639,228
Total deferred inflows of resources	19,335,921
NET POSITION	
Net investment in capital assets	462,022,980
Restricted for:	
Capital projects	90,029,107
Debt service	11,633,783
Categorical programs	37,746,540
Student activities	545,192
Workers' compensation claims	3,481,518
Unrestricted	(149,458,142)
Total net position	\$ 456,000,978

The notes to financial statements are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instructional services:				
Instruction	\$ 183,477,600	\$ 204,887	\$ 50,852,560	\$ (132,420,153)
Instruction-related services:				
Supervision of instruction	8,930,745	183,396	2,693,602	(6,053,747)
Instructional library, media and technology	1,661,555	-	266,790	(1,394,765)
School site administration	17,993,037	34,961	2,681,448	(15,276,628)
Pupil support services:				
Home-to-school transportation	3,998,129	-	-	(3,998,129)
Food services	6,262,849	-	6,685,571	422,722
All other pupil services	21,191,059	111,218	6,985,460	(14,094,381)
General administration services:				
Data processing services	1,859,759	-	-	(1,859,759)
Other general administration	14,735,473	17,205	1,514,679	(13,203,589)
Plant services	26,932,464	608,460	1,138,083	(25,185,921)
Ancillary services	1,690,969	-	1,480,355	(210,614)
Community services	1,411,210	-	865,598	(545,612)
Enterprise activities	(2,105,190)	-	-	2,105,190
Interest on long-term debt	6,060,906	1,347,720	-	(4,713,186)
Other outgo	3,171,813	-	2,327,956	(843,857)
Depreciation (unallocated)	16,766,824	-	-	(16,766,824)
Total Governmental Activities	<u>\$ 314,039,202</u>	<u>\$ 2,507,847</u>	<u>\$ 77,492,102</u>	<u>(234,039,253)</u>
General Revenues:				
Property taxes				171,395,425
Federal and state aid not restricted to specific purpose				67,704,344
Interest and investment earnings				1,295,969
Transfers				481,484
Miscellaneous				<u>8,044,332</u>
Total general revenues				<u>248,921,554</u>
Change in net position				14,882,301
Net position - July 1, 2020				<u>440,248,307</u>
Adjustment for restatement (Note 12)				<u>870,370</u>
Net position - July 1, 2020, as restated				<u>441,118,677</u>
Net position - June 30, 2021				<u>\$ 456,000,978</u>

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

	General Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 130,171,968	\$ 3,378,661	\$ 43,893,318	\$ 9,198,213	\$ 58,059,241	\$ 244,701,401
Accounts receivable	35,968,219	1,657	21,240	5,775,056	1,484,615	43,250,787
Due from other funds	521,432	149	-	-	6,170,161	6,691,742
Inventories	453,805	-	-	-	108,603	562,408
Total Assets	<u>\$ 167,115,424</u>	<u>\$ 3,380,467</u>	<u>\$ 43,914,558</u>	<u>\$ 14,973,269</u>	<u>\$ 65,822,620</u>	<u>\$ 295,206,338</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 12,750,529	\$ 59,395	\$ 524	\$ 8,955,079	\$ 1,697,144	\$ 23,462,671
Due to other funds	6,208,832	5,594	-	9,937	409,192	6,633,555
Unearned revenue	6,408,667	-	-	-	53,083	6,461,750
Total Liabilities	<u>25,368,028</u>	<u>64,989</u>	<u>524</u>	<u>\$ 8,965,016</u>	<u>2,159,419</u>	<u>36,557,976</u>
Fund Balances						
Nonspendable	773,805	-	-	-	108,603	882,408
Restricted	34,364,047	3,315,478	43,914,034	6,008,253	61,567,938	149,169,750
Committed	89,046,516	-	-	-	-	89,046,516
Assigned	9,256,020	-	-	-	1,986,660	11,242,680
Unassigned	8,307,008	-	-	-	-	8,307,008
Total Fund Balances	<u>141,747,396</u>	<u>3,315,478</u>	<u>43,914,034</u>	<u>6,008,253</u>	<u>63,663,201</u>	<u>258,648,362</u>
Total Liabilities and Fund Balances	<u>\$ 167,115,424</u>	<u>\$ 3,380,467</u>	<u>\$ 43,914,558</u>	<u>\$ 14,973,269</u>	<u>\$ 65,822,620</u>	<u>\$ 295,206,338</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Total fund balances - governmental funds \$ 258,648,362

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	845,740,092	
Accumulated depreciation:	(213,457,723)	
Net:		632,282,369

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

9,199,654

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:

2,476,117

In governmental funds, interest subsidies received from Build America Bonds are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned.

99,761

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:

General obligation bonds payable	179,583,120	
Workers' compensation claims	4,890,327	
Compensated absences	1,981,099	
Other postemployment benefits	37,508,431	
Total		(223,962,977)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.

(283,831,355)

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	70,159,296	
Deferred inflows of resources relating to pensions	(14,639,228)	
Net:		55,520,068

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	6,784,154	
Deferred inflows of resources relating to OPEB	(4,696,693)	
		2,087,461

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:

3,481,518

Total net position - governmental activities \$ 456,000,978

TUSTIN UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 215,308,104	\$ -	\$ -	\$ -	\$ 430,000	\$ 215,738,104
Federal sources	22,108,175	-	-	-	7,041,210	29,149,385
Other state sources	55,244,061	-	-	-	3,381,865	58,625,926
Other local sources	13,501,653	32,778	363,131	70,937	19,952,058	33,920,557
Total Revenues	306,161,993	32,778	363,131	70,937	30,805,133	337,433,972
EXPENDITURES						
Current:						
Instruction	179,651,700	-	-	-	2,283,440	181,935,140
Instruction-related services:						
Supervision of instruction	8,805,593	-	-	-	4,687	8,810,280
Instructional library, media and technology	1,383,422	-	-	-	-	1,383,422
School site administration	16,606,055	-	-	-	753,751	17,359,806
Pupil support services:						
Home-to-school transportation	3,987,798	-	-	-	-	3,987,798
Food services	375,071	-	-	-	6,037,858	6,412,929
All other pupil services	20,223,187	-	-	-	130,998	20,354,185
Ancillary services	988,625	-	-	-	715,807	1,704,432
Community services	188,242	-	-	-	1,203,140	1,391,382
General administration services:						
Data processing services	1,680,922	-	-	-	-	1,680,922
Other general administration	11,488,875	-	-	-	-	11,488,875
Plant services	22,548,030	-	-	-	20	22,548,050
Transfers of indirect costs	(281,475)	-	-	-	281,475	-
Capital Outlay	4,299,580	965,417	25,601	142,662	6,908,773	12,342,033
Intergovernmental transfers	2,664,482	-	-	-	59,535	2,724,017
Debt Service:						
Principal	-	-	-	-	7,088,137	7,088,137
Interest	-	-	-	-	7,915,309	7,915,309
Issuance costs	-	-	-	-	447,796	447,796
Total Expenditures	274,610,107	965,417	25,601	142,662	33,830,726	309,574,513
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,551,886	(932,639)	337,530	(71,725)	(3,025,593)	27,859,459
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	-	5,734,839	5,734,839
Interfund transfers out	(5,734,839)	-	-	-	-	(5,734,839)
Issuance of debt - refunding bonds	-	-	-	-	57,525,000	57,525,000
Transfers to escrow agent for defeased debt	-	-	-	-	(57,077,204)	(57,077,204)
Transfers from fiduciary fund	-	-	-	481,484	-	481,484
Total Other Financing Sources and Uses	(5,734,839)	-	-	481,484	6,182,635	929,280
Net Change in Fund Balances	25,817,047	(932,639)	337,530	409,759	3,157,042	28,788,739
Fund Balances, July 1, 2020, as originally stated	115,818,428	4,248,117	43,576,504	5,598,494	67,852,047	237,093,590
Adjustments for Restatement (Note 12)	111,921	-	-	-	(7,345,888)	(7,233,967)
Fund Balances, July 1, 2020, as restated	115,930,349	4,248,117	43,576,504	5,598,494	60,506,159	229,859,623
Fund Balances, June 30, 2021	\$ 141,747,396	\$ 3,315,478	\$ 43,914,034	\$ 6,008,253	\$ 63,663,201	\$ 258,648,362

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, 2021

Total net change in fund balances - governmental funds \$ 28,788,739

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	10,138,436	
Depreciation expense	(16,766,824)	
Net:		(6,628,388)

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:

(55,475)

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:

58,168,136

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, including premiums, were:

(57,525,000)

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:

5,174,569

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:

844,303

In governmental funds, accreted interest on general obligation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest earned and paid during the year was:

512,244

In governmental funds, interest subsidies received from Build America Bonds are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The difference between interest received and earned during the year was:

(120,359)

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:

(2,372,494)

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:

1,331,012

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(14,954,476)

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.

2,105,190

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*).

(385,700)

Change in net position of governmental activities

\$ 14,882,301

The notes to financial statements are an integral part of this statement.

TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Governmental Activities Internal Service Fund
ASSETS	
Current:	
Deposits and investments	\$ 8,426,122
Accounts receivable	4,009
Due from other funds	46,235
	<hr/>
Total assets	8,476,366
	<hr/>
LIABILITIES	
Accounts payable and accrued liabilities	99
Due to other funds	104,422
Estimated liability for open claims and IBNR	4,890,327
	<hr/>
Total liabilities	4,994,848
	<hr/>
NET POSITION	
Restricted	\$ 3,481,518
	<hr/>

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

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 1,331,414
Other local revenue	<u>11,502</u>
Total operating revenues	<u>1,342,916</u>
OPERATING EXPENSES	
Current:	
Change in estimate for claims	(1,837,682)
Services and other operating expenditures	<u>1,143,032</u>
Total operating expenses	<u>(694,650)</u>
Operating Income (Loss)	2,037,566
NON-OPERATING REVENUES	
Interest income	<u>67,624</u>
Change in net position	2,105,190
Net position, July 1, 2020 - as originally stated	<u>8,104,337</u>
Adjustment for restatement (note 12)	<u>(6,728,009)</u>
Net position, July 1, 2020, as restated	<u>1,376,328</u>
Net position, June 30, 2021	<u>\$ 3,481,518</u>

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

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	\$ 1,285,180
Payments to vendors and suppliers	104,223
Payments on insurance claims	(1,143,032)
Receipts from pending claims	11,502
Net cash provided (used) by operating activities	<u>257,873</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>71,693</u>
 Net increase (decrease) in cash	329,566
Cash, July 1, 2020	8,096,556
Cash, June 30, 2021	<u><u>\$ 8,426,122</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 2,037,566
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	(46,234)
Estimated liability for open claims and IBNRs	(1,837,682)
Accounts payable and accrued liabilities	(199)
Due to other funds	104,422
Total adjustments	<u>(1,779,693)</u>
Net cash (used) by operating activities	<u><u>\$ 257,873</u></u>

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

	Debt Service Fund for Special Tax Bonds
ASSETS	
Deposits	\$ 9,827,620
Investments	26,284,317
Accounts receivable	4,746
Due from other funds	8,947,969
Total Assets	\$ 45,064,652
LIABILITIES	
Accounts payable	102,008
Due to other funds	5,770,605
Total Liabilities	5,872,613
NET POSITION	
Restricted	\$ 39,192,039

TUSTIN UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenditures, and Changes in Fiduciary Net Position***
June 30, 2021

	Debt Service Fund for Special Tax Bonds
ADDITIONS	
Local property taxes	\$ 18,527,957
Interest	71,272
All other transfers in	5,261,419
Total Additions	23,860,648
DEDUCTIONS	
General administration	123,984
Debt service-interest	15,737,930
Debt service-principal	6,370,000
All other transfers out	481,484
Total Deductions	22,713,398
Change in fiduciary net position	1,147,250
Net position - July 1, 2020	38,044,789
Net position - June 30, 2021	39,192,039

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021

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.

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

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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.

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, 2021

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, 2021

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. 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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Postemployment Benefits Other Than Pensions (OPEB)

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

7. Pensions

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

8. Fund Balances

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

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

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

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

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

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

H. Use of Estimates

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

I. New GASB Pronouncements

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

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

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

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

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. (continued)

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

J. Future Accounting Pronouncements

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

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

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

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

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

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

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (continued)

The requirements of this Statement are effective as follows:

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

Earlier application is encouraged and is permitted by topic.

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

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

6. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 244,701,401
Proprietary funds	8,426,122
Governmental Activities	<u>253,127,523</u>
Fiduciary funds	36,111,937
Total deposits and investments	<u>\$ 289,239,460</u>

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

Cash on hand and in banks	\$ 912,886
Cash in revolving fund	150,000
Investments	<u>288,176,574</u>
Total deposits and investments	<u>\$ 289,239,460</u>

Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2021, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal 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, 2021, \$988,859 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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2021, 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	\$ 36,111,937	\$ 36,111,937	\$ -	Level 2	AAA
U.S. Bank Treasury Money Market Funds	1,295	1,295	-	Level 2	AAA
County Pool	252,063,342	252,063,342	-	Uncategorized	N/A
	<u>\$ 288,176,574</u>	<u>\$ 288,176,574</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, 2021, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had the following investments that represents more than five percent outside of the County Pool.

U.S. Bank First American Treasury Obligations	99.996%
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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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consisted of the following:

	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	\$ 1,005,809	\$ -	\$ -	\$ -	\$ 97,158	\$ 1,102,967	\$ -
Food service	-	-	-	-	668,791	668,791	-
Special Education	4,445,739	-	-	-	-	4,445,739	-
State Government:							
LCFF sources	13,953,310	-	-	-	-	13,953,310	-
Lottery	1,606,500	-	-	-	-	1,606,500	-
Categorical aid programs	7,834,744	-	-	-	571,751	8,406,495	-
Food service	-	-	-	-	51,826	51,826	-
Special Education	5,457,535	-	-	-	-	5,457,535	-
Local:							
Interest	129,346	1,657	21,240	4,451	20,853	177,547	4,010
Other local	1,535,236	-	-	5,770,605	74,236	7,380,077	-
Total	\$ 35,968,219	\$ 1,657	\$ 21,240	\$ 5,775,056	\$ 1,484,615	\$ 43,250,787	\$ 4,010

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2021, consisted of the following:

	Due From Other Funds				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ -	\$ 6,165,888	\$ 42,944	\$ 6,208,832
Building Fund	5,388	-	-	206	5,594
Capital Project Fund For Blended Component Units	9,937	-	-	-	9,937
Non-Major Governmental Funds	406,107	-	-	3,085	409,192
Proprietary Fund	100,000	149	4,273	-	104,422
Total	\$ 521,432	\$ 149	\$ 6,170,161	\$ 46,235	\$ 6,737,977
General Fund due to Adult Education Fund for transfer of LCFF revenues					\$ 430,000
General Fund due to Special Reserve Fund for Capital Outlay Projects for LPA invoices					5,734,839
General Fund due to Self-Insurance Fund for workers' compensation liabilities					42,944
Adult Education Fund to General Fund for indirect costs and benefits					49,577
Child Development Fund to General Fund for indirect costs and benefits					107,889
Cafeteria Fund to General Fund for indirect costs and benefits					248,641
Building Fund to General Fund for benefits					5,388
Capital Projects Fund for Blended Component Units to General Fund to cover admin fees					9,937
Self-Insurance Fund due to Cafeteria Fund to clear food service uncollected debt					1,730
Self-Insurance Fund to General Fund to reclass workers' compensation account funds					100,000
Other miscellaneous Due To/From for interfund services					181,553
Total					\$ 6,737,977

TUSTIN UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2021, consisted of the following:

General Fund to Special Reserve Fund for Capital Outlay Projects for RDA funds and special revenue transfer	\$ 5,734,839
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NOTE 5 – FUND BALANCES

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

	General Fund	Building Fund	County School Facilities Fund	Capital Projects Fund for Component Units	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Stores inventories	453,805	-	-	-	108,603	562,408
All others	170,000	-	-	-	-	170,000
Total Nonspendable	773,805	-	-	-	108,603	882,408
Restricted:						
Categorical programs	34,304,047	-	-	-	-	34,304,047
Adult education program	-	-	-	-	961,659	961,659
Food service program	-	-	-	-	2,312,231	2,312,231
Capital projects	-	3,315,478	43,914,034	6,008,253	46,115,073	99,352,838
Debt service	-	-	-	-	11,633,783	11,633,783
Student activity	-	-	-	-	545,192	545,192
Section 125	60,000	-	-	-	-	60,000
Total Restricted	34,364,047	3,315,478	43,914,034	6,008,253	61,567,938	149,169,750
Committed:						
Vacation liability	2,397,235	-	-	-	-	2,397,235
Local protection reserve	22,942,522	-	-	-	-	22,942,522
Facilities maintenance reserve	5,600,262	-	-	-	-	5,600,262
Technology reserve	6,000,000	-	-	-	-	6,000,000
Classroom furniture reserve	100,000	-	-	-	-	100,000
One-time discretionary	27,303,571	-	-	-	-	27,303,571
Textbook adoption	6,000,000	-	-	-	-	6,000,000
Anthem HRA balance reserve	147,916	-	-	-	-	147,916
EL carryover	2,719,987	-	-	-	-	2,719,987
Health and welfare wellness program carryover	80,943	-	-	-	-	80,943
School local program carryover	1,169,147	-	-	-	-	1,169,147
Future school opening	100,000	-	-	-	-	100,000
Declining enrollment reserve	2,500,000	-	-	-	-	2,500,000
MAA/Medi-Cal program	866,735	-	-	-	-	866,735
Health and welfare insurance rebate	1,875,856	-	-	-	-	1,875,856
Other commitments	9,242,342	-	-	-	-	9,242,342
Total Committed	89,046,516	-	-	-	-	89,046,516
Assigned:						
Adult education program	-	-	-	-	1,599,675	1,599,675
Child development operations	-	-	-	-	386,985	386,985
Deferred maintenance program	9,256,020	-	-	-	-	9,256,020
Total Assigned	9,256,020	-	-	-	1,986,660	11,242,680
Unassigned:						
Reserve for economic uncertainties	8,307,008	-	-	-	-	8,307,008
Total Unassigned	8,307,008	-	-	-	-	8,307,008
Total	\$ 141,747,396	\$ 3,315,478	\$ 43,914,034	\$ 6,008,253	\$ 63,663,201	\$ 258,648,362

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2020	Additions	Retirements	Balance, June 30, 2021
Capital assets not being depreciated:				
Land	\$ 176,147,527	\$ -	\$ -	\$ 176,147,527
Construction in progress	53,518,079	7,334,922	2,020,359	58,832,642
Total capital assets not being depreciated	229,665,606	7,334,922	2,020,359	234,980,169
Capital assets being depreciated:				
Improvement of sites	67,861,948	259,170	98,933	68,022,185
Buildings	509,023,558	3,765,152	-	512,788,710
Equipment	29,177,447	799,551	27,970	29,949,028
Total capital assets being depreciated	606,062,953	4,823,873	126,903	610,759,923
Accumulated depreciation for:				
Improvement of sites	(25,241,978)	(3,078,466)	(43,458)	(28,276,986)
Buildings	(152,113,061)	(12,040,253)	-	(164,153,314)
Equipment	(19,407,288)	(1,648,105)	(27,970)	(21,027,423)
Total accumulated depreciation	(196,762,327)	(16,766,824)	(71,428)	(213,457,723)
Total capital assets being depreciated, net	409,300,626	(11,942,951)	55,475	397,302,200
Governmental activity capital assets, net	\$ 638,966,232	\$ (4,608,029)	\$ 2,075,834	\$ 632,282,369

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

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

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 168,299,061	\$ 57,525,000	\$ 58,168,136	\$ 167,655,925	\$ 8,685,925
Accreted Interest	512,244	34,620	546,864	-	-
Unamortized Issuance Premium	17,101,764	-	5,174,569	11,927,195	1,045,062
Total - GO Bonds	185,913,069	57,559,620	63,889,569	179,583,120	9,730,987
Workers' Compensation Claims	6,728,009	-	1,837,682	4,890,327	-
Compensated Absences	1,595,399	385,700	-	1,981,099	-
Other Postemployment Benefits	40,256,092	2,885,153	5,632,814	37,508,431	-
Totals	\$ 234,492,569	\$ 60,830,473	\$ 71,360,065	\$ 223,962,977	\$ 9,730,987

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

A. General Obligation Bonds (continued)

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.

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, 2021, none of the defeased debt remains outstanding.

2021 General Obligation Refunding Bonds

On March 11, 2021, the District issued \$11,910,000 of subseries 2002-1; \$23,570,000 of subseries 2008-1; and \$22,045,000 of subseries 2012-1 General Obligation Refunding Bonds. Subseries 2002-1 bears interest rates between 0.157% and 1.754% with annual maturity dates between August 1, 2021 and February 1, 2031. Subseries 2008-1 bears interest rates between 0.157% and 2.354% with maturity dates between August 1, 2021 through August 1, 2037 with term bonds of 2.649% due August 1, 2042. Subseries 2012-1 has interest rates between 0.157% and 2.354% maturing annually beginning August 1, 2021 through August 1, 2037.

The subseries 2002-1 2021 refunding bonds were issued to advance refund \$9,795,000 of the District’s outstanding 2015 General Obligation Refunding Bonds and to pay costs of issuance. The subseries 2008-1 2021 refunding bonds were issued to advance refund \$19,840,000 of the District’s outstanding 2008 Election Series C GO bonds and \$1,300,000 of outstanding 2008 Series D GO bonds and to pay costs of issuance. The 2012-1 2021 refunding were issued to advance refund \$20,145,000 of the District’s outstanding GO bonds, Election of 2012 Series A.

The refunding decreased the District’s total debt service payments by \$5,425,746. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$4,526,664. As of June 30, 2021, \$51,080,000 of bonds outstanding are considered defeased.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

A. General Obligation Bonds (continued)

2021 General Obligation Refunding Bonds (continued)

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, 2021, deferred amounts on refunding were \$9,199,654.

Below is a schedule of bonds issued and outstanding as of June 30, 2021.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Additions	Refundings/ Deductions	Balance, June 30, 2021
Measure G:								
2002D	3/10/2010	2034	6.0%-6.9%	\$ 24,998,556	\$ 1,514,061	\$ -	\$ 653,136	\$ 860,925
Measure L:								
2008A	3/30/2010	2034	3.0% - 6.6%	25,000,000	760,000	-	760,000	-
2008B	6/9/2011	2037	2.0% - 5.0%	25,000,000	1,520,000	-	740,000	780,000
2008C	5/8/2013	2042	2.0% - 4.0%	25,000,000	22,365,000	-	20,435,000	1,930,000
2008D	2/18/2015	2038	3.0% - 3.4%	20,000,000	19,540,000	-	1,400,000	18,140,000
Measure S:								
2012A	3/14/2013	2037	2.0% - 5.0%	35,000,000	22,400,000	-	20,600,000	1,800,000
2012B	2/15/2018	2040	2.0% - 5.0%	20,000,000	17,495,000	-	2,390,000	15,105,000
Refunding Bonds:								
Refunding	1/28/2015	2032	2.0% - 5.0%	23,795,000	20,305,000	-	11,105,000	9,200,000
Refunding	4/6/2016	2029	5.0%	15,195,000	15,195,000	-	-	15,195,000
Refunding	4/6/2016	2037	2.0% - 5.0%	26,545,000	25,990,000	-	85,000	25,905,000
Refunding	12/21/2017	2035	4.0% - 5.0%	9,345,000	9,345,000	-	-	9,345,000
Refunding	12/21/2017	2035	4.0% - 5.0%	11,870,000	11,870,000	-	-	11,870,000
Refunding	3/11/2021	2031	0.157%-1.754%	11,910,000	-	11,910,000	-	11,910,000
Refunding	3/11/2021	2042	0.157%-2.649%	23,570,000	-	23,570,000	-	23,570,000
Refunding	3/11/2021	2037	0.157%-2.354%	22,045,000	-	22,045,000	-	22,045,000
					168,299,061	\$ 57,525,000	\$ 58,168,136	\$ 167,655,925
Accreted Interest:				Series				
				2002D	\$ 512,244	\$ 34,620	\$ 546,864	\$ -

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

Fiscal Year	Principal	Interest	Total
2021-22	\$ 8,685,925	\$ 6,118,924	\$ 14,804,849
2022-23	10,520,000	5,128,693	15,648,693
2023-24	8,295,000	4,714,567	13,009,567
2024-25	8,515,000	4,377,369	12,892,369
2025-26	8,905,000	4,049,969	12,954,969
2026-31	47,500,000	15,636,950	63,136,950
2031-36	43,090,000	8,047,520	51,137,520
2036-41	26,495,000	2,774,396	29,269,396
2041-43	5,650,000	173,197	5,823,197
	<u>\$ 167,655,925</u>	<u>\$ 51,021,585</u>	<u>\$ 218,677,510</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

B. 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 \$213,973,767 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the financial statements.

C. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 36,183,933	\$ 6,784,154	\$ 4,696,693	\$ 3,074,203
MPP Program	1,324,498	-	-	158,655
Total	\$ 37,508,431	\$ 6,784,154	\$ 4,696,693	\$ 3,232,858

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

TUSTIN UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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

C. Other Postemployment Benefits (OPEB) Liability

District Plan (continued)

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	97
Active employees	1,572
Total	1,669

Total OPEB Liability

The District's total OPEB liability of \$36,183,933 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs

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

Valuation Date	July 1, 2020
Inflation	2.75 percent
Salary increases	3.00 percent
Healthcare cost trend rates	5.80 percent for 2021 decreasing annually by .10 percent to a rate of 5.00 percent
Retirees' share of benefit-related costs	Based on retirees' current cost-sharing provisions, assumed to remain constant for all future years.

Discount Rate

The discount rate is 1.92 percent per year net of expenses based on an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/AC or higher.

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

Mortality Rates

Following are the tables the mortality assumptions are based upon.

2009 CalSTRS Mortality

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

2014 CalPERS Retiree and Active Mortality for Miscellaneous Employees

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

District Plan (continued)

Mortality Rates (continued)

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

2009 CalSTRS Retirement Rates

The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees

The retirement assumptions are based on the 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

2009 CalPERS Retirement Rates for School Employees

The retirement assumptions are based on the 2009 CalPERS Retirement Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 39,090,249
Changes for the year:	
Service cost	1,889,443
Interest	837,055
Differences between expected and actual experience	(3,425,501)
Changes of assumptions	(1,346,949)
Benefit payments	(860,364)
Net changes	(2,906,316)
Balance at June 30, 2021	\$ 36,183,933

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	\$ 39,388,809
Current discount rate	\$ 36,183,933
1% increase	\$ 33,190,164

TUSTIN UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)****C. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 31,628,978
Current trend rate	\$ 36,183,933
1% increase	\$ 41,551,064

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$3,074,203. In addition, at June 30, 2021, 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	\$ -	\$ 3,198,065
Changes of assumptions	6,784,154	1,498,628
Total	<u>\$ 6,784,154</u>	<u>\$ 4,696,693</u>

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the current measurement period is 7.8 years and 9.0 years for prior measurement periods.

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 1,057,028	\$ 709,323
2023	1,057,028	709,323
2024	1,057,028	709,323
2025	1,057,028	709,323
2026	1,057,028	709,323
Thereafter	1,499,014	1,150,078
	<u>\$ 6,784,154</u>	<u>\$ 4,696,693</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Benefits Provided

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

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

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

Total OPEB Liability

At June 30, 2021, the District reported a liability of \$1,324,498 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2020, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net OPEB Liability	0.312540%	0.313065%	-0.000525%

For the year ended June 30, 2021, the District reported OPEB expense of \$158,655.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

Discount Rate

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 1,464,601
Current discount rate	\$ 1,324,498
1% increase	\$ 1,205,280

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

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,200,967
Current trend rate	\$ 1,324,498
1% increase	\$ 1,466,704

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2021, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 199,854,642	\$ 52,385,377	\$ 11,523,067	\$ 29,366,792
CalPERS	83,976,713	17,773,919	3,116,161	15,461,073
Total	\$ 283,831,355	\$ 70,159,296	\$ 14,639,228	\$ 44,827,865

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

Plan Description (continued)

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The contribution rates for each program for the year ended June 30, 2021, are presented above, and the District's total contributions were \$18,254,701.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	199,854,642
State's proportionate share of the net pension liability associated with the District		103,025,091
Total	\$	302,879,733

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.206229%	0.202557%	0.003672%

TUSTIN UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 8 – PENSION PLANS (continued)****A. California State Teachers' Retirement System (CalSTRS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2021, the District recognized pension expense of \$29,366,792. In addition, the District recognized pension expense and revenue of \$3,221,211 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 18,254,701	\$ -
Net change in proportionate share of net pension liability	6,642,388	2,987,241
Difference between projected and actual earnings on pension plan investments	7,646,978	2,899,582
Changes of assumptions	19,488,658	-
Differences between expected and actual experience	352,652	5,636,244
Total	<u>\$ 52,385,377</u>	<u>\$ 11,523,067</u>

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 (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 8,072,145	\$ 5,253,967
2023	9,688,981	1,958,425
2024	10,163,456	1,605,773
2025	3,840,469	1,201,389
2026	960,659	1,166,329
Thereafter	1,404,966	337,184
Total	<u>\$ 34,130,676</u>	<u>\$ 11,523,067</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.8%
Fixed Income	15%	3.6%
Real Estate	13%	6.3%
Private Equity	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	(0.4%)

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 301,952,524
Current discount rate (7.10%)	199,854,642
1% increase (8.10%)	115,558,462

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$11,659,383.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided

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

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

	Schools Pool (CalPERS)	
	On or before 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
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	20.70%	20.70%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021 are presented above, and the total District contributions were \$8,397,480.

TUSTIN UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 8 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$83,976,713. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
	June 30, 2020	June 30, 2019	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.273691%	0.276464%	-0.002773%

For the year ended June 30, 2021, the District recognized pension expense of \$15,461,073. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,397,480	\$ -
Net change in proportionate share of net pension liability	1,056,228	1,017,011
Difference between projected and actual earnings on pension plan investments	3,847,278	2,099,150
Changes of assumptions	307,946	-
Differences between expected and actual experience	4,164,987	-
Total	\$ 17,773,919	\$ 3,116,161

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 4,496,111	\$ 1,939,962
2023	2,635,911	702,266
2024	1,409,647	271,539
2025	834,770	184,870
2026	-	17,524
Thereafter	-	-
Total	\$ 9,376,439	\$ 3,116,161

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2019
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 120,731,839
Current discount rate (7.15%)	83,976,713
1% increase (8.15%)	53,471,804

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

D. Payables to the Pension Plans

At June 30, 2021, the District reported payables of \$210,513 and \$520,211 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2021.

NOTE 9 – JOINT VENTURES

The Tustin Unified School District participates in two joint powers agreement (JPA) entities, the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Coastline Regional Occupational Program (CROP). ASCIP provides property and liability insurance for its participating school districts. The Tustin Unified School District pays a premium commensurate with the level of coverage requested. CROP provides student occupational training for its member school districts on an average daily attendance (ADA) basis.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Tustin Unified School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the Tustin Unified School District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. Current financial information for CROP is directly available from the JPA. Condensed current financial information of the ASCIP JPA is shown below:

	ASCIP June 30, 2020 (Audited)
Total Assets	\$ 536,100,250
Deferred Outflows of Resources	1,382,261
Total Liabilities	313,032,321
Deferred Inflows of Resources	84,477
Net Position	<u>\$ 224,365,713</u>
Total Revenues	\$ 273,534,959
Total Expenditures	271,188,222
Total Nonoperating revenue	<u>20,657,531</u>
Change in Net Assets	<u>\$ 23,004,268</u>

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2021, the District had commitments with respect to unfinished capital projects of approximately \$1.8 million.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2021.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, 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 2020-21, 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.

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.

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 – RISK MANAGEMENT (continued)

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	Workers' Compensation
Liability Balance, June 30, 2019	\$ 6,728,009
Claims and changes in estimates	4,673
Claims payments	(4,673)
Liability Balance, June 30, 2020	6,728,009
Claims and changes in estimates	(694,650)
Claims payments	(1,143,032)
Liability Balance, June 30, 2021	\$ 4,890,327
Assets available to pay claims at June 30, 2021	\$ 8,476,366

NOTE 12 – ADJUSTMENTS FOR RESTATEMENT

The District has made the following adjustments for restatements:

	Statement of Activities	Statement of Revenues Expenditures and Changes in Fund Balances	Proprietary Fund
Implementation of GASB Statement No.84:			
Student Body Activities (ASB)	\$ 758,449	\$ 758,449	\$ -
IRC Section 125	60,000	60,000	-
Self-insurance Fund previously reported as a governmental fund	-	(8,104,337)	8,104,337
Self-insurance Fund previous claims	-	-	(6,728,009)
Restricted General Fund	51,921	51,921	-
Total adjustments for restatements	\$ 870,370	\$ (7,233,967)	\$ 1,376,328

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 198,416,842	\$ 212,808,104	\$ 212,808,104	\$ -
Federal sources	12,013,710	26,525,825	22,108,175	(4,417,650)
Other State sources	34,976,825	63,029,626	55,244,061	(7,785,565)
Other Local sources	10,266,184	13,176,837	13,342,186	165,349
Total Revenues	255,673,561	315,540,392	303,502,526	(12,037,866)
Expenditures				
Current:				
Certificated salaries	115,745,446	115,153,970	114,959,333	194,637
Classified salaries	45,218,490	43,024,323	43,002,679	21,644
Employee benefits	70,157,449	70,259,286	70,206,112	53,174
Books and supplies	11,881,620	26,524,350	15,130,618	11,393,732
Services and other operating expenditures	29,910,247	25,311,513	25,128,442	183,071
Transfers of indirect cost	(322,832)	(117,768)	(281,475)	163,707
Capital outlay	732,875	355,216	355,214	2
Intergovernmental transfers	3,697,392	2,664,482	2,664,482	-
Total Expenditures	277,020,687	283,175,372	271,165,405	12,009,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,347,126)	32,365,020	32,337,121	(27,899)
Other Financing Sources and Uses				
Interfund transfers out	(1,500,000)	(5,734,839)	(5,734,839)	-
Total Other Financing Sources and Uses	(1,500,000)	(5,734,839)	(5,734,839)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(22,847,126)	26,630,181	26,602,282	(27,899)
Fund Balances, July 1, 2020, as originally stated	89,170,801	97,511,436	97,511,436	-
Adjustments for Restatement	-	51,921	111,921	-
Fund Balances, June 30, 2020, as restated	89,170,801	97,563,357	97,623,357	-
Fund Balances, June 30, 2021	\$ 66,323,675	\$ 124,193,538	124,225,639	\$ (27,899)
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Deferred Maintenance Fund			9,256,020	
Special Revenue Fund for Other than Capital Outlay			8,265,737	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			\$ 141,747,396	

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

	Last Ten Fiscal Years*						
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS							
District's proportion of the net pension liability	0.2062%	0.2026%	0.2012%	0.2037%	0.2030%	0.2080%	0.1970%
District's proportionate share of the net pension liability	\$ 199,854,642	\$ 182,941,161	\$ 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	103,025,091	99,806,617	105,895,679	111,459,058	93,483,306	74,062,308	69,515,662
Totals	\$ 302,879,733	\$ 282,747,778	\$ 290,851,188	\$ 299,864,484	\$ 257,671,736	\$ 214,096,228	\$ 184,636,552
District's covered-employee payroll	\$ 113,026,140	\$ 110,335,670	\$ 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	176.82%	165.80%	171.14%	172.64%	160.28%	147.08%	130.29%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
CalPERS							
District's proportion of the net pension liability	0.2737%	0.2765%	0.2783%	0.2701%	0.2632%	0.2573%	0.2517%
District's proportionate share of the net pension liability	\$ 83,976,713	\$ 80,573,260	\$ 74,191,678	\$ 64,486,058	\$ 51,982,163	\$ 37,926,274	\$ 28,574,079
District's covered-employee payroll	\$ 39,287,100	\$ 37,936,502	\$ 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	213.75%	212.39%	202.26%	187.46%	164.48%	133.32%	107.78%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

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

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2021

	Last Ten Fiscal Years*					
	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
CalSTRS						
Contractually required contribution	\$ 18,254,701	\$ 19,327,470	\$ 17,962,646	\$ 15,595,318	\$ 13,728,423	\$ 10,991,785
Contributions in relation to the contractually required contribution	18,254,701	19,327,470	17,962,646	15,595,318	13,728,423	10,991,785
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 113,032,203	\$ 113,026,140	\$ 110,335,670	\$ 108,075,662	\$ 109,128,959	\$ 102,439,748
Contributions as a percentage of covered-employee payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%
						8.88%

CalPERS

Contractually required contribution	\$ 8,397,480	\$ 7,747,809	\$ 6,852,091	\$ 5,696,919	\$ 4,777,496	\$ 3,744,160
Contributions in relation to the contractually required contribution	8,397,480	7,747,809	6,852,091	5,696,919	4,777,496	3,744,160
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 40,567,536	\$ 39,287,100	\$ 37,936,502	\$ 36,680,954	\$ 34,400,173	\$ 31,604,288
Contributions as a percentage of covered-employee payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%
						11.771%

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

TUSTIN UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2021

	Last 10 Fiscal Years*			
	2020-21	2019-20	2018-19	2017-18
Total OPEB liability				
Service cost	\$ 1,889,443	\$ 1,918,302	\$ 1,748,747	\$ 2,566,474
Interest	837,055	1,209,843	1,234,352	948,599
Differences between expected and actual experience	(3,425,501)	(145,313)	(148,063)	-
Changes of assumptions or other inputs	(1,346,949)	3,977,883	5,535,368	(628,089)
Benefit payments	(860,364)	(1,183,552)	(1,223,090)	(802,233)
Net change in total OPEB liability	(2,906,316)	5,777,163	7,147,314	2,084,751
Total OPEB liability - beginning	39,090,249	33,313,086	26,165,772	24,081,021
Total OPEB liability - ending	\$ 36,183,933	\$ 39,090,249	\$ 33,313,086	\$ 26,165,772
Covered-employee payroll	\$ 132,673,447	\$ 165,081,466	\$ 160,273,268	\$ 143,837,848
Total OPEB liability as a percentage of covered-employee payroll	27.27%	23.68%	20.79%	18.19%

Notes to Schedule:

* 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.

The discount rate was reduced from 2.2% to 1.92% for the most recent measurement period.

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, 2021

	Last 10 Fiscal Years*			
	2019-20	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.3125%	0.3131%	0.3165%	0.3242%
District's proportionate share of net OPEB liability	\$ 1,324,498	\$ 1,165,843	\$ 1,211,321	\$ 1,364,137
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

Notes to Schedule:

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 2.2 percent to 1.92 percent since the previous valuation.

TUSTIN UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

Change of assumptions – The discount rate was changed from 3.50 percent to 2.21 percent since the previous valuation.

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Supplementary Information

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TUSTIN UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2021

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
Lynn Davis	President	November, 2022
Jonathan Abelow	Vice President	November, 2022
James Laird	Clerk	November, 2024
Allyson Damikolas	Member	November, 2024
Jonathon Stone	Member	November, 2024

DISTRICT ADMINISTRATORS

Gregory A. Franklin, 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

Amy Lambert, Ed.D.,
Assistant Superintendent, Special Education

Anthony Soria,
Chief Financial Officer

Charles Lewis, Ed.D.,
Chief Personnel Officer

TUSTIN UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2021*

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

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

General Fund	(Budget) 2022 ²	2021 ³	2020*	2019
Revenues and other financing sources	\$ 294,382,460	\$ 303,502,526	\$ 281,341,787	\$ 280,585,412
Expenditures	309,244,842	271,165,405	268,228,274	267,116,554
Other uses and transfers out	3,500,000	5,734,839	5,414,605	5,210,328
Total outgo	312,744,842	276,900,244	273,642,879	272,326,882
Change in fund balance (deficit)	(18,362,382)	26,602,282	7,698,908	8,258,530
Ending fund balance	\$ 105,863,257	\$ 124,225,639	\$ 97,623,357	\$ 89,864,449
Available reserves ¹	\$ 9,382,346	\$ 8,307,008	\$ 5,979,762	\$ 7,888,010
Available reserves as a percentage of total outgo ⁴	3.0%	3.0%	2.2%	2.9%
Total long-term debt	\$ 498,063,345	\$ 507,794,332	\$ 498,006,990	\$ 496,138,202
Average daily attendance at P-2	21,625	N/A	22,654	22,954

**As restated*

The General Fund balance has increased by approximately \$34.3 million over the past two years. The fiscal year 2021-22 adopted budget projects a decrease of approximately \$18.4 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 but anticipates incurring an operating deficit during the 2021-22 fiscal year. Long-term debt has increased by \$11.7 million over the past two years.

The District did not report ADA in fiscal year 2020-21 and was funded on its fiscal year 2019-20 ADA. Budgeted ADA for fiscal year 2021-22 is 21,625.

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

² Budget as of September 2021.

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

⁴ In two of the past three years the District's reserves are below the minimum recommended percentage only as a result of spending of CARES ACT without the requisite recognition of revenues in the amount of \$2.2 million. Also, reserves of \$8.3 million are available in a special reserve fund. With these amounts included District reserves are greater than 3%.

TUSTIN UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2021*

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

TUSTIN UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 443,560	
School Breakfast Program - Especially Needy	10.553	13526	1,470,187	
National School Lunch Program	10.555	13523	3,692,972	
USDA Donated Foods	10.555	N/A	445,937	
Total Child Nutrition Cluster				\$ 6,052,656
Total U.S. Department of Agriculture				6,052,656
U.S. Department of Treasury				
Passed through California Dept. of Education (CDE):				
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516		9,193,280
Total U.S. Department of Treasury				9,193,280
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Education Cluster:				
Adult Secondary Education	84.002	13978	59,055	
Adult Basic Education & ESL	84.002A	14508	132,274	
Total Adult Education Cluster				191,329
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,737,532	
School Improvement Funding for LEAs	84.010	15438	109,373	
Total Title I Grants:				2,846,905
Title II, Part A, Improving Teacher Quality Local Grants	84.386	14341		517,002
English Language Acquisition State Grants:				
Title III, Language and Acquisition English Learner Student Program	84.365	14346	370,191	
Title III, Language and Acquisition Immigrant Education Program	84.365	15146	22,002	
Total English Language Acquisition State Grants				392,193
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		182,163
Carl Perkins Act - Secondary	84.048	14894		124,957
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	2,592,898	
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	1,173,489	
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	336,070	
Subtotal Education Stabilization Fund				4,102,457
Special Education Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	3,286,066	
Preschool Grants, Part B, Sec 619	84.173	13430	67,214	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	264,927	
Preschool Staff Development	84.173A	13431	1,084	
Alternate Dispute Resolution	84.173A	13007	29,728	
Total Special Education Cluster (IDEA)				3,649,019
Early Intervention Grants, Part C	84.181	23761		61,210
Workability II, Transition	84.126	10006		112,334
Total U.S. Department of Education				12,179,569
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Child Care and Development Funds Cluster:				
Child Care Mandatory and Matching Funds	93.596	13609	316,176	
Covid-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	15555	144,979	
Total Child Care and Development Cluster				461,155
Total U.S. Department of Health & Human Services				461,155
Total Expenditures of Federal Awards				\$ 27,886,660

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, 2021

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

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

The Schedule of Average Daily Attendance is not included due to ADA not being reported in the 2020-21 fiscal year for funding purposes per SB98.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2021.

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 29,149,385
Differences between Federal Revenues and Expenditures:		
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	(2,231,083)
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	968,358
Total Schedule of Expenditures of Federal Awards		\$ 27,886,660

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, 2021, and the related notes to the financial statements, which collectively comprise Tustin Unified School District's basic financial statements, and have issued our report thereon dated January 5, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Murrieta, California
January 5, 2022



A Professional Accountancy Corporation

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

Board of Education
Tustin Unified School District
Tustin, California

Report on Compliance for Each Major Federal Program

We have audited Tustin Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Tustin Unified School District's major federal programs for the year ended June 30, 2021. Tustin Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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, 2021.

Report on Internal Control Over Compliance

Management of Tustin Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tustin Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Murrieta, California
January 5, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Tustin Unified School District
Tustin, California

Report on State Compliance

We have audited Tustin Unified School District's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Tustin Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2021.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tustin Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Tustin Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Tustin Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.

Other Matter(s)

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2021-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

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

Nigro + Nigro, PC

Murrieta, California

January 5, 2022

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, 2021

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?	No
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
21.019	COVID-19 Coronavirus Relief Fund
84.425, 84.425C, 84.425D	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 836,600
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, 2021

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

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

There were no financial statement findings in 2020-21.

TUSTIN UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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

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

TUSTIN UNIFIED SCHOOL DISTRICT

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2021

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

FINDING 2021-001: INSTRUCTIONAL MATERIALS (70000)

Criteria: California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District. The public hearing must be held on or before the 8th week of school.

Condition: The instructional materials public hearing was held on October 12, 2020. The first day of school was August 13, 2020, which would put the cut off on October 8, 2020.

Context: The exception is limited to the 2020-21 school year.

Cause: The District failed to hold the public hearing for instructional materials on or before the 8th week of school.

Effect: There is no financial penalty associated with noncompliance.

Recommendation: We recommend that the District ensure that the instructional materials public hearing is completed on or before the 8th week of school.

Views of Responsible Officials: All steps and procedures were taken to comply with Education Code Section 60119 for 2020-21 Instructional Materials requirements with the Board of Education original meeting schedule on September 28, 2020. The September 28, 2020 board meeting was cancelled unexpectedly as a result of the COVID-19 pandemic, which required the public hearing to be moved to the next available meeting on October 12, 2020. Board adoption of the Instructional Materials Resolution was ultimately four days after the legal deadline due to an unanticipated event. The District is on track to meet the legal requirements for 2021-22.

TUSTIN UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-001: Unallowable Indirect Cost Charges to a Federal Program</i>	<p>2 C.F.R. Part 200 subpart E §200.412-419 sets the standards and terms for indirect charges allowed to be applied to federally funded programs by Federal Agency.</p> <p>During our testing we noted that the District had applied an indirect cost rate of 3.93% which totaled \$37,642.83 towards the program. This is the first year of CRF funding so there were no prior year findings.</p>	50000	We recommend that the District transfer the costs of the indirect charges from the Coronavirus Relief Fund.	Implemented
<i>Finding 2020-002: CALPADS Unduplicated Pupil Count</i>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)). Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted three students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31.</p>	40000	We recommend that the District implement a procedure to ensure proper document retention as well as reviewing the CALPADS information prior to the report's submission to the California Department of Education.	Implemented

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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, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention that are not findings. This letter does not affect our report dated January 5, 2022 on the financial statements of Tustin Unified School District.

STUDENT ACTIVITIES (ASB)

Observation: During testing at Foothill High 3 of 15 cash disbursements tested were lacking pre-approval and one disbursement was shipped to a personal address. Testing at Tustin High showed 1 of the 9 cash disbursements tested was not pre-approved and 1 of 9 lacked appropriate supporting documentation. There were also stale dated checks on bank reconciliations at Beckman High and Foothill High.

Recommendation: We recommend that all expenditures have the proper approvals before the purchase is made. Items purchased for ASB should be shipped directly to the school site rather than a home address to ensure the items are properly received by the ASB and used for the benefit of the students. In addition, bank reconciliations should be reviewed and checks not clearing within six months should be cleared.

DISTRICT OFFICE

Observation: During our testing of cash receipts at the District office, it was noted that 5 of 10 receipts tested were not deposited in a timely manner. Receipts were dated a month or more before the deposits were made.

Recommendation: We recommend making deposits weekly or more often as needed. Money should never be left over the weekend or holidays because thefts are more likely to occur during those times.

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

Murrieta, California
January 5, 2022

