

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

**NIGRO & NIGRO<sup>PC</sup>**



**ORANGE UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2021*

*Table of Contents*

---

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

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund .....	65
Schedule of Proportionate Share of the Net Pension Liability .....	66
Schedule of Pension Contributions .....	67
Schedule of Changes in the District's Total OPEB Liability and Related Ratios .....	68
Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program .....	69
Notes to the Required Supplementary Information .....	70

**SUPPLEMENTARY INFORMATION**

Local Educational Agency Organization Structure .....	72
Schedule of Instructional Time .....	73
Schedule of Financial Trends and Analysis .....	74
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	75
Schedule of Charter Schools .....	76
Schedule of Expenditures of Federal Awards .....	77
Note to the Supplementary Information .....	78

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

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

**Page**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	79
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	81
Independent Auditors' Report on State Compliance .....	83

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results .....	85
Financial Statement Findings .....	86
Federal Award Findings and Questioned Costs.....	87
State Award Findings and Questioned Costs.....	88
Summary Schedule of Prior Audit Findings.....	89

---

---

*Financial Section*

---

---

*(This page intentionally left blank)*



## INDEPENDENT AUDITORS' REPORT

Board of Education  
Orange Unified School District  
Orange, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Unified School District, as of and for the fiscal year ended June 30, 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 Orange Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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*

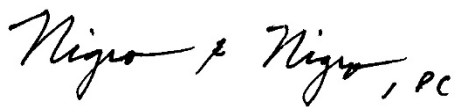
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total 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 73 to 75 and the schedule of expenditures of federal awards on page 77 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 72 and 76 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
November 18, 2021



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

---

This discussion and analysis of Orange Unified School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

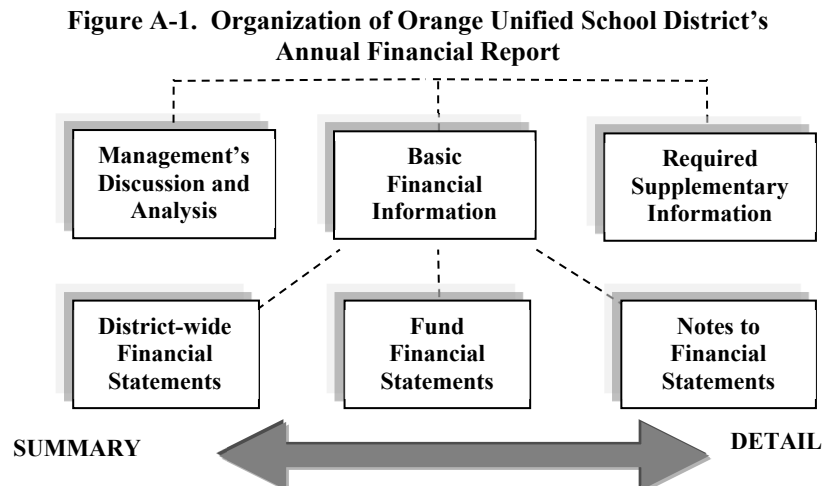
- The District-wide net position, consisting of the entire activities of the District except fiduciary activities, increased by roughly \$6.9 million or 652.1% over the course of the year.
- Overall District-wide revenues were \$375.1 million.
- The total cost of basic programs was \$368.2 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$263.4 million.
- The District increased its outstanding long-term debt other than pensions by \$0.8 million or 0.3%. This was primarily due to the issuance of an early retirement incentive offset by the paying down of other obligations.
- Governmental funds decreased by \$39.0 million, or 16.3%.
- Reserves for the General Fund increased \$4.4 million from the prior year. Revenues were \$339.2 million and expenditures were \$326.6 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



**ORANGE 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:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims.

**ORANGE 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)**

- 3) **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds and an OPEB Trust Fund. 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 652.1% to \$5.9 million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2021</b>	<b>2020*</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current assets	\$ 263,907,616	\$ 286,062,716	\$ (22,155,100)
Net OPEB asset	32,529,203	29,670,678	2,858,525
Capital assets	360,515,945	304,685,487	55,830,458
<b>Total assets</b>	<b>656,952,764</b>	<b>620,418,881</b>	<b>36,533,883</b>
<b>Deferred outflows of resources</b>	<b>100,124,071</b>	<b>78,860,368</b>	<b>21,263,703</b>
<b>Liabilities</b>			
Current liabilities	48,699,380	32,176,931	16,522,449
Long-term liabilities	295,365,385	294,566,287	799,098
Net pension liability	350,361,638	315,728,453	34,633,185
<b>Total liabilities</b>	<b>694,426,403</b>	<b>642,471,671</b>	<b>51,954,732</b>
<b>Deferred inflows of resources</b>	<b>56,771,094</b>	<b>57,872,393</b>	<b>(1,101,299)</b>
<b>Net position</b>			
Net investment in capital assets	211,547,651	197,414,638	14,133,013
Restricted	59,526,547	51,160,835	8,365,712
Unrestricted	(265,194,860)	(249,640,288)	(15,554,572)
<b>Total net position</b>	<b>\$ 5,879,338</b>	<b>\$ (1,064,815)</b>	<b>\$ 6,944,153</b>

\*As restated

**ORANGE 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)**

**Changes in net position, governmental activities.** The District's total revenues increased 7.9% to \$375.1 million (See Table A-2). The increase is due primarily to COVID-related state and federal grants.

The total cost of all programs and services increased 9.4% to \$368.2 million. The District's expenses are predominantly related to educating and caring for students, 82.0%. The purely administrative activities of the District accounted for just 3.9% of total costs. A significant contributor to the increase in costs was spending down COVID-related state and federal grants.

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2021</b>	<b>2020</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 2,806,656	\$ 10,089,843	\$ (7,283,187)
Operating grants and contributions	101,999,664	53,214,357	48,785,307
General Revenues:			
Property taxes	193,819,771	189,343,487	4,476,284
Federal and state aid not restricted	62,532,819	75,399,084	(12,866,265)
Other general revenues	13,979,801	19,529,205	(5,549,404)
<b>Total Revenues</b>	<b>375,138,711</b>	<b>347,575,976</b>	<b>27,562,735</b>
<b>Expenses</b>			
Instruction-related	261,181,195	236,889,596	24,291,599
Pupil services	40,838,799	38,509,436	2,329,363
Administration	14,424,462	14,968,883	(544,421)
Plant services	36,517,944	31,235,575	5,282,369
All other activities	15,232,158	14,894,637	337,521
<b>Total Expenses</b>	<b>368,194,558</b>	<b>336,498,127</b>	<b>31,696,431</b>
Increase (decrease) in net position	\$ 6,944,153	\$ 11,077,849	\$ (4,133,696)
<b>Total net position</b>	<b>\$ 5,879,338</b>	<b>\$ (1,064,815)</b>	<b>\$ 6,944,153</b>

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

---

**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 \$200.0 million, which is below last year's ending fund balance of \$239.0 million. The primary cause of the decreased fund balance is spending down the Building Fund on Capital Projects.

**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	\$ 78,021,108	\$ 339,165,958	\$ 326,578,432	\$ (940,048)	\$ 89,668,586
Student Activity Special Revenue Fund	2,092,192	1,353,199	1,443,973	-	2,001,418
Charter School Fund	3,079,408	12,522,595	10,161,442	(608,006)	4,832,555
Adult Education Fund	3,083	9,083	7,908	-	4,258
Child Development Fund	613,667	3,737,669	4,756,911	824,688	419,113
Cafeteria Fund	166,112	9,193,431	7,782,377	30	1,577,196
Deferred Maintenance Fund	9,489,045	105,568	3,860,487	-	5,734,126
Special Reserve Fund (Other Than Capital Outlay)	-	21,903	-	610,335	632,238
Building Fund	108,392,095	814,049	48,258,937	-	60,947,207
Capital Facilities Fund	3,716,515	805,598	1,355,347	-	3,166,766
County School Facilities Fund	-	-	-	-	-
Special Reserve Fund (Capital Outlay)	12,278,178	139,327	4,622,667	3,690,000	11,484,838
Capital Projects Fund for Blended Component Units	2,536,617	15,164	1,471,016	-	1,080,765
Bond Interest and Redemption Fund	6,101,426	6,914,625	9,499,625	-	3,516,426
Debt Service Fund for Blended Component Units	2,678	19	608,006	608,006	2,697
Debt Service Fund	12,459,305	6,390,133	3,901,482	(23,217)	14,924,739
	<u>\$ 238,951,429</u>	<u>\$ 381,188,321</u>	<u>\$ 424,308,610</u>	<u>\$ 4,161,788</u>	<u>\$ 199,992,928</u>

\*As restated

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$32.6 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$0.9 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$22.1 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$1.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$12.6 million. Actual revenues were \$11.2 million more than anticipated, and expenditures were \$3.3 million less than budgeted.

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

---

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2020-21 the District had invested \$62.2 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$6.4 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Land	\$ 19,082,424	\$ 19,082,424	\$ -
Improvement of sites	5,305,457	5,661,218	(355,761)
Buildings	226,730,447	162,645,620	64,084,827
Equipment	6,256,881	3,935,284	2,321,597
Construction in progress	103,140,736	113,360,941	(10,220,205)
Total	\$ 360,515,945	\$ 304,685,487	\$ 55,830,458

**Long-Term Debt**

At year-end the District had \$295.4 million in long term debt other than pensions – an increase of 0.3% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
General obligation bonds	\$ 184,257,709	\$ 187,022,797	\$ (2,765,088)
Certificates of participation	9,581,371	9,824,039	(242,668)
Certificates of participation - 2012 Site Lease Agreement	12,016,594	15,551,384	(3,534,790)
Retirement health benefits funding bonds	63,055,000	64,565,000	(1,510,000)
Capital leases	5,140,592	5,801,341	(660,749)
Supplementary Retirement Plan	9,821,654	-	9,821,654
Compensated absences	4,072,465	4,676,726	(604,261)
Claims liability	7,420,000	7,125,000	295,000
Total	\$ 295,365,385	\$ 294,566,287	\$ 799,098

Net pension liability increased during the year by \$34.6 million.

## **ORANGE UNIFIED SCHOOL DISTRICT**

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2021*

---

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

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

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

#### ***Significant Increase in School and Community College Funding***

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

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

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

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

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

**ORANGE 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)**

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

All of these factors were considered in preparing the Orange 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: David Rivera, Assistant Superintendent, Business Services/CBO at (714) 628-4479 or [drivera@orangeusd.org](mailto:drivera@orangeusd.org). Additional information about the District's operations can be found on the District's Business Services Division webpage at the following link: <https://www.orangeusd.org/departments/business-services>.



# ORANGE UNIFIED SCHOOL DISTRICT

## Statement of Net Position

June 30, 2021

---

	Total Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 222,016,495
Accounts receivable	41,712,397
Inventories	178,724
Net OPEB asset	32,529,203
Capital assets:	
Non-depreciable assets	122,223,160
Depreciable assets	345,929,836
Less accumulated depreciation	<u>(107,637,051)</u>
Total assets	<u>656,952,764</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	190,962
Deferred outflows from OPEB	7,079,393
Deferred outflows from pensions	<u>92,853,716</u>
Total deferred outflows of resources	<u>100,124,071</u>
<b>LIABILITIES</b>	
Accounts payable	44,534,510
Unearned revenue	4,164,870
Long-term liabilities other than pensions:	
Portion due or payable within one year	9,159,798
Portion due or payable after one year	286,205,587
Net pension liability	<u>350,361,638</u>
Total liabilities	<u>694,426,403</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from OPEB	17,441,000
Deferred inflows from pensions	<u>39,330,094</u>
Total deferred inflows of resources	<u>56,771,094</u>
<b>NET POSITION</b>	
Net investment in capital assets	211,547,651
Restricted for:	
Capital projects	14,651,604
Debt service	18,441,165
Educational programs	15,372,706
Student activity	2,001,418
Self-Insurance	11,061,072
Unrestricted	<u>(265,194,860)</u>
Total net position	<u>\$ 5,879,338</u>

# ORANGE 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	
<b>Governmental Activities</b>				
Instructional Services:				
Instruction	\$ 200,896,732	\$ 68,048	\$ 46,145,277	\$ (154,683,407)
Instruction-Related Services:				
Supervision of instruction	13,758,552	4,874	4,549,756	(9,203,922)
Instructional library, media and technology	17,971,004	35	21,454,559	3,483,590
School site administration	28,554,907	27,349	1,323,292	(27,204,266)
Pupil Support Services:				
Home-to-school transportation	10,860,886	-	221,576	(10,639,310)
Food services	9,057,256	25,848	9,772,293	740,885
All other pupil services	20,920,657	8,293	3,280,473	(17,631,891)
General Administration Services:				
Data processing services	2,847,793	-	14,649	(2,833,144)
Other general administration	11,576,669	128,485	1,794,400	(9,653,784)
Plant services	36,517,944	5,074	4,425,092	(32,087,778)
Ancillary services	3,487,500	-	1,399,057	(2,088,443)
Community services	158,750	-	-	(158,750)
Enterprise activities	92,106	-	-	(92,106)
Interest on long-term debt	9,586,278	-	-	(9,586,278)
Other outgo	1,907,524	2,538,650	7,619,240	8,250,366
Total Governmental Activities	\$ 368,194,558	\$ 2,806,656	\$ 101,999,664	(263,388,238)

### General Revenues:

Property taxes	193,819,771
Federal and state aid not restricted to specific purpose	62,532,819
Interest and investment earnings	840,521
Interagency revenues	909,480
Miscellaneous	12,229,800
Total general revenues	270,332,391
Change in net position	6,944,153
Net position - July 1, 2020, as originally stated	(3,157,007)
Adjustments for restatements (Note 12)	2,092,192
Net position - July 1, 2020, as restated	(1,064,815)
Net position - June 30, 2021	\$ 5,879,338

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

---

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 82,137,017	\$ 70,251,747	\$ 51,077,905	\$ 203,466,669
Accounts receivable	39,586,558	35,940	2,081,138	41,703,636
Due from other funds	3,462,533	-	3,376,256	6,838,789
Inventories	61,896	-	116,828	178,724
Total Assets	<u>\$ 125,248,004</u>	<u>\$ 70,287,687</u>	<u>\$ 56,652,127</u>	<u>\$ 252,187,818</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 27,855,619	\$ 9,340,480	\$ 3,972,312	\$ 41,168,411
Due to other funds	3,553,427	-	3,308,182	6,861,609
Unearned revenue	3,538,134	-	626,736	4,164,870
Total Liabilities	<u>34,947,180</u>	<u>9,340,480</u>	<u>7,907,230</u>	<u>52,194,890</u>
<b>Fund Balances</b>				
Nonspendable	161,896	-	151,828	313,724
Restricted	10,754,880	60,947,207	38,794,057	110,496,144
Committed	-	-	5,734,126	5,734,126
Assigned	21,611,232	-	4,064,886	25,676,118
Unassigned	57,772,816	-	-	57,772,816
Total Fund Balances	<u>90,300,824</u>	<u>60,947,207</u>	<u>48,744,897</u>	<u>199,992,928</u>
Total Liabilities and Fund Balances	<u>\$ 125,248,004</u>	<u>\$ 70,287,687</u>	<u>\$ 56,652,127</u>	<u>\$ 252,187,818</u>

# ORANGE UNIFIED SCHOOL DISTRICT

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

**Total fund balances - governmental funds** \$ 199,992,928

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	468,152,996	
Accumulated depreciation	<u>(107,637,051)</u>	
Net:		360,515,945

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:

190,962

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(3,265,764)

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	184,257,709	
Certificates of participation payable	9,581,371	
Site lease agreement	12,016,594	
Retirement health benefits funding bonds	63,055,000	
Capital lease payable	5,140,592	
Supplementary Retirement Plan	9,821,654	
Compensated absences	<u>4,072,465</u>	
Total		(287,945,385)

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.

(350,361,638)

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government wide statements, postemployment benefits costs are recognized in the period they are incurred. The other postemployment benefit net asset is a result of accumulated plan assets that are an irrevocable contribution and dedicated to providing benefits to retirees, in excess of the total OBEB liability.

32,529,203

In governmental funds, deferred outflows and inflows of resources relating to pensions and other post employment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources	99,933,109	
Deferred inflows of resources	<u>(56,771,094)</u>	
Net:		43,162,015

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:

11,061,072

**Total net position - governmental activities** \$ 5,879,338

## ORANGE 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	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 232,379,738	\$ -	\$ 9,614,574	\$ 241,994,312
Federal sources	33,551,701	-	9,103,716	42,655,417
Other state sources	60,612,208	-	4,248,232	64,860,440
Other local sources	12,644,214	814,049	18,219,889	31,678,152
Total Revenues	339,187,861	814,049	41,186,411	381,188,321
<b>EXPENDITURES</b>				
Current:				
Instruction	186,160,927	-	9,446,165	195,607,092
Instruction-related services:				
Supervision of instruction	13,222,047	-	364,010	13,586,057
Instructional library, media and technology	16,667,300	-	249,634	16,916,934
School site administration	23,822,102	-	3,008,875	26,830,977
Pupil support services:				
Home-to-school transportation	12,698,586	-	69,300	12,767,886
Food services	536,783	-	7,482,065	8,018,848
All other pupil services	19,634,110	-	459,337	20,093,447
Ancillary services	1,968,080	-	1,446,572	3,414,652
Community services	137,758	-	-	137,758
General administration services:				
Data processing services	2,797,980	-	7,288	2,805,268
Other general administration	11,122,343	-	183,168	11,305,511
Plant services	31,604,490	-	2,562,220	34,166,710
Transfers of indirect costs	(470,163)	-	470,163	-
Intergovernmental	1,832,644	-	74,880	1,907,524
Capital outlay	314,623	48,258,937	9,638,451	58,212,011
Debt service:				
Issuance costs	471,788	-	-	471,788
Principal	2,720,749	-	6,279,790	9,000,539
Interest	1,336,285	-	7,729,323	9,065,608
Total Expenditures	326,578,432	48,258,937	49,471,241	424,308,610
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	12,609,429	(47,444,888)	(8,284,830)	(43,120,289)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	23,217	-	1,432,724	1,455,941
Interfund transfers out	(824,718)	-	(631,223)	(1,455,941)
Proceeds from sale of land	-	-	3,690,000	3,690,000
Proceeds from refunding debt	33,520,000	-	-	33,520,000
Transfer to escrow agent for defeased debt	(33,048,212)	-	-	(33,048,212)
Total Other Financing Sources and Uses	(329,713)	-	4,491,501	4,161,788
Net Change in Fund Balances	12,279,716	(47,444,888)	(3,793,329)	(38,958,501)
Fund Balances, July 1, 2020	78,021,108	108,392,095	50,446,034	236,859,237
Adjustment for Restatement (Note 12)	-	-	2,092,192	2,092,192
Fund Balances, July 1, 2020	78,021,108	108,392,095	52,538,226	238,951,429
Fund Balances, June 30, 2021	\$ 90,300,824	\$ 60,947,207	\$ 48,744,897	\$ 199,992,928

# ORANGE UNIFIED SCHOOL DISTRICT

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

<b>Total net change in fund balances - governmental funds</b>	\$ (38,958,501)
Amounts reported for governmental activities in the statement of activities are different because:	
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:	
Expenditures for capital outlay	62,243,978
Depreciation expense	<u>(6,413,520)</u>
Net:	55,830,458
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were:	
	41,970,539
In governmental funds, proceeds from bond issuances are reported as other financing sources. In the government-wide statements, proceeds from bond issuances are reported as a liability. Proceeds from retirement health benefit funding bonds for the year were:	
	(33,520,000)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. Deferred amounts on refunding amortized during the year were:	
	(63,655)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:	
	262,756
In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	
	(169,770)
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	
	604,261
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time. This year, such liabilities increased by:	
	(9,821,654)
In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was:	
	(8,227,166)
In government funds, OPEB costs are recognized when employer contributions are made in the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was:	
	(1,118,838)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	
	<u>155,723</u>
<b>Change in net position of governmental activities</b>	<b>\$ 6,944,153</b>

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

---

	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 18,549,826
Accounts receivable	8,761
Due from other funds	204,985
	<hr/>
Total assets	18,763,572
	<hr/>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	100,335
Due to other funds	182,165
Total current liabilities	282,500
Non-current liabilities:	
Estimated liability for open claims and IBNRs	7,420,000
	<hr/>
Total liabilities	7,702,500
	<hr/>
<b>NET POSITION</b>	
Restricted	\$ 11,061,072
	<hr/> <hr/>

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

---

	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Self-insurance premiums	\$ 3,125,226
<b>OPERATING EXPENSES</b>	
Payments for personnel costs	381,030
Payments for materials and supplies	484
Payments for claims and other operating expenses	<u>2,734,105</u>
Total operating expenses	<u>3,115,619</u>
<b>OPERATING INCOME (LOSS)</b>	9,607
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>146,116</u>
Change in net position	155,723
Net position, July 1, 2020	<u>10,905,349</u>
Net position, June 30, 2021	<u><u>\$ 11,061,072</u></u>



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

---

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Received from in-district premiums	\$ 3,010,332
Payments to employees and fringe benefits	(341,900)
Payments to vendors and suppliers	13,205
Payments on insurance claims	(2,439,105)
	<hr/>
Net cash provided (used) by operating activities	242,532
	<hr/>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Investment income	155,077
	<hr/>
Net increase (decrease) in cash and cash equivalents	397,609
	<hr/>
Cash and cash equivalents, July 1, 2020	18,152,217
	<hr/>
Cash and cash equivalents, June 30, 2021	\$ 18,549,826
	<hr/> <hr/>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>	
Operating income (loss)	\$ 9,607
	<hr/>
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	(114,894)
Estimated liability for open claims and IBNRs	295,000
Accounts payable and accrued liabilities	13,689
Due to other funds	39,130
	<hr/>
Net cash provided (used) by operating activities	\$ 242,532
	<hr/> <hr/>

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

---

<b>ASSETS</b>	Debt Service Fund for Special Tax Bonds	Retiree Benefits Fund
Deposits and investments	\$ 690,864	\$ 136,141,872
Accounts receivable	-	1,238,010
Prepays	-	530,676
Total assets	<u>690,864</u>	<u>137,910,558</u>
 <b>LIABILITIES</b>		
Accounts payable	-	1,244,661
Total liabilities	<u>-</u>	<u>1,244,661</u>
 <b>NET POSITION</b>		
Restricted for debt service	690,864	-
Restricted for postemployment benefits	-	136,665,897
Total net position	<u>\$ 690,864</u>	<u>\$ 136,665,897</u>

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

	Debt Service Fund for Special Tax Bonds	Retiree Benefits Fund	OPEB Trust Fund
<b>ADDITIONS</b>			
Investment income	\$ 22	\$ 11,998,474	\$ -
Increase in fair value of investments	-	-	-
Other income	827,916	-	-
Total Additions	<u>827,938</u>	<u>11,998,474</u>	<u>-</u>
<b>DEDUCTIONS</b>			
Administrative expenses	14,575	-	-
Benefit payments	-	6,092,627	-
Debt service	786,535	-	-
Total Deductions	<u>801,110</u>	<u>6,092,627</u>	<u>-</u>
Change in net position	<u>26,828</u>	<u>5,905,847</u>	<u>-</u>
Net position - July 1, 2020, as originally stated	-	11,836,894	118,923,156
Adjustment for restatement (Note 12)	<u>664,036</u>	<u>118,923,156</u>	<u>(118,923,156)</u>
Net position - July 1, 2020, as restated	<u>664,036</u>	<u>130,760,050</u>	<u>-</u>
Net position - June 30, 2021	<u>\$ 690,864</u>	<u>\$ 136,665,897</u>	<u>\$ -</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

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

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

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

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### District-Wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program

# ORANGE 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)

revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

##### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay which does not currently meet the definition of a special revenue fund as it is not composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the Fund is being reported within the General Fund.

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

##### 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.

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

**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.

# ORANGE 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 (continued)

###### Special Revenue Funds (continued):

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Fiduciary Funds**

Fiduciary funds are used to account for assets held in a trustee or 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 funds:

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

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

#### 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.

# ORANGE 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)

##### 2. Measurement Focus, Basis of Accounting (continued)

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

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

##### 3. Revenues - Exchange and Non-Exchange Transactions

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

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

#### C. Budgetary Data

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

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



# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Encumbrances

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Inventories and Prepaid Items

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

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

##### 3. Capital Assets

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Improvements/infrastructure	5-50 years
Equipment	5-20 years

##### 4. Unearned Revenue

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

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

##### 5. Compensated Absences

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

# ORANGE 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.

# ORANGE 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, and Net Position (continued)

##### 9. Net Position

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

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

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

#### F. Minimum Fund Balance Policy

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

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

#### G. Property Tax Calendar

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

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Use of Estimates

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

#### I. New GASB Pronouncements

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.

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.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements

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

1. In 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.

# ORANGE 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

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.

# ORANGE 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 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.

# ORANGE 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	\$ 203,466,669
Proprietary funds	18,549,826
Governmental activities	<u>222,016,495</u>
Fiduciary funds	136,832,736
Total deposits and investments	<u>\$ 358,849,231</u>

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

Cash on hand and in banks	\$ 3,069,252
Cash in revolving fund	135,000
Cash collections awaiting deposit	373,524
Investments	<u>355,271,455</u>
Total deposits and investments	<u>\$ 358,849,231</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 Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

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

As of June 30, 2021, \$2,566,606 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.



# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### Investments - Interest Rate Risk

The District’s investment does not limit investment maturities. The Superintendent or his/her designee shall have the responsibility for all decisions and activities performed under the District’s investment policy, under the discretion of the Board. Maturities of investments held at June 30, 2021, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
Investments:					
County Pool	\$ 222,573,109	\$ 222,573,109	\$ -	Uncategorized	N/A
US Bank Money Market	693,561	693,561	-	Level 2	N/A
Zion Bank Money Market	827,689	827,689	-	Level 1	N/A
Benefit Trust Company:					
Mutual Fund - Fixed Income	109,670,717	109,670,717	-	Level 2	N/A
Mutual Fund - Domestic Equity	14,392,163	14,392,163	-	Level 2	N/A
Mutual Fund - International Equity	4,701,565	4,701,565	-	Level 2	N/A
Mutual Fund - Real Estate	2,412,651	2,412,651	-	Level 2	N/A
Total Investments	<u>\$ 355,271,455</u>	<u>\$ 355,271,455</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 represent more than five percent of the District’s net investments, excluding cash in the county treasury.

Mutual Fund - Fixed Income	83%
Mutual Fund - Domestic Equity	11%

#### 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.

**ORANGE UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2021*

---

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

**Fair Value Measurements (continued)**

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

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

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

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

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	Governmental Funds				Proprietary Fund	Fiduciary Funds
	General Fund	Building Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Retiree Benefit Fund
Federal Government:						
Categorical aid programs	\$ 10,523,910	\$ -	\$ 547,434	\$ 11,071,344	\$ -	\$ -
State Government:						
LCFF	15,355,872	-	558,740	15,914,612	-	-
Lottery	1,648,777	-	80,433	1,729,210	-	-
Other state resources	11,473,957	-	574,258	12,048,215	-	-
Local:						
Interest	43,607	35,940	24,476	104,023	8,761	2,529
Other local resources	540,435	-	295,797	836,232	-	1,235,481
<b>Total</b>	<b>\$ 39,586,558</b>	<b>\$ 35,940</b>	<b>\$ 2,081,138</b>	<b>\$ 41,703,636</b>	<b>\$ 8,761</b>	<b>\$ 1,238,010</b>

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2021*

---

**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	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 3,353,842	\$ 3,353,842	\$ 199,585	\$ 3,553,427
Non-Major Governmental Funds	3,302,782	-	3,302,782	5,400	3,308,182
Self-Insurance Fund	159,751	22,414	182,165	-	182,165
Total	<u>\$ 3,462,533</u>	<u>\$ 3,376,256</u>	<u>\$ 6,838,789</u>	<u>\$ 204,985</u>	<u>\$ 7,043,774</u>

General Fund due to Charter Schools Special Revenue Fund for P2 in-lieu revenue and STRS DBS refund	\$ 618,954
General Fund due to Child Development Fund for payroll taxes	2,704,686
General Fund due to all other non-major funds	30,202
General Fund due to Self-Insurance Fund for employee benefits	199,585
Charter Schools Special Revenue Fund due to General Fund for oversight fees, maintenance charges, and payroll taxes	221,944
All other non-major funds due to Self-Insurance Fund for employee benefits	5,400
All other non-major funds due to General Fund	173,413
Child Development Fund due to General Fund to cover negative balance	2,625,098
Cafeteria Fund due to General Fund for indirect cost, vehicle maintenance, payroll and taxes, bank charges, and maintenance charges	282,327
Self-Insurance Fund due to General Fund for payroll taxes	159,751
Self-Insurance Fund due to Child Development Fund for payroll and taxes	22,414
Total	<u>\$ 7,043,774</u>

**B. Transfers To/From Other Funds**

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

General Fund transfer to Child Development Fund to cover negative balance	\$ 824,688
General Fund transfer to Cafeteria Fund for catering at vaccination events	30
Debt Service Fund transfer to General Fund for consulting cost on RDA pass-throughs	23,217
Charter Schools Special Revenue Fund transfer to Debt Service Fund for Blended Component Units for debt service payments	608,006
Total	<u>\$ 1,455,941</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

### NOTE 5 – FUND BALANCES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>				
Revolving cash	\$ 100,000	\$ -	\$ 35,000	\$ 135,000
Inventories	61,896	-	116,828	178,724
Total Nonspendable	161,896	-	151,828	313,724
<b>Restricted:</b>				
Categorical programs	10,754,880	-	742,669	11,497,549
Student activity	-	-	2,001,418	2,001,418
Adult education program	-	-	4,258	4,258
Child development program	-	-	419,113	419,113
Food service program	-	-	1,450,368	1,450,368
Capital projects	-	60,947,207	15,732,369	76,679,576
Debt service	-	-	18,443,862	18,443,862
Total Restricted	10,754,880	60,947,207	38,794,057	110,496,144
<b>Committed:</b>				
Deferred maintenance program	-	-	5,734,126	5,734,126
Total Committed	-	-	5,734,126	5,734,126
<b>Assigned:</b>				
School site donations	1,329,220	-	-	1,329,220
Credential support contracts	36,153	-	-	36,153
MediCal administration activities	239,994	-	-	239,994
Textbook and program carryover	4,799,406	-	-	4,799,406
Attract & retain students	3,879,661	-	-	3,879,661
FY22-FY24 STRS/ PERS increases	5,490,971	-	-	5,490,971
Enrollment decline reserve	1,500,000	-	-	1,500,000
LCFF supplemental - school site	490,966	-	-	490,966
LCFF supplemental - other	2,620,209	-	-	2,620,209
School site carryover	317,853	-	-	317,853
Lottery carryover	274,561	-	-	274,561
Building fund debt service	-	-	1,026,729	1,026,729
Reserve for economic uncertainties	-	-	3,038,157	3,038,157
Other assignments	632,238	-	-	632,238
Total Assigned	21,611,232	-	4,064,886	25,676,118
<b>Unassigned:</b>				
Reserve for economic uncertainties	9,928,465	-	-	9,928,465
Remaining unassigned balances	47,844,351	-	-	47,844,351
Total Unassigned	57,772,816	-	-	57,772,816
Total	\$ 90,300,824	\$ 60,947,207	\$ 48,744,897	\$ 199,992,928

**ORANGE 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	\$ 19,082,424	\$ -	\$ -	\$ 19,082,424
Construction in progress	113,360,941	58,212,010	68,432,215	103,140,736
Total capital assets not being depreciated	<u>132,443,365</u>	<u>58,212,010</u>	<u>68,432,215</u>	<u>122,223,160</u>
Capital assets being depreciated:				
Improvement of sites	15,945,221	-	-	15,945,221
Buildings	240,036,597	69,143,619	-	309,180,216
Equipment	17,483,835	3,320,564	-	20,804,399
Total capital assets being depreciated	<u>273,465,653</u>	<u>72,464,183</u>	<u>-</u>	<u>345,929,836</u>
Accumulated depreciation for:				
Improvement of sites	(10,284,003)	(355,761)	-	(10,639,764)
Buildings	(77,390,977)	(5,058,792)	-	(82,449,769)
Equipment	(13,548,551)	(998,967)	-	(14,547,518)
Total accumulated depreciation	<u>(101,223,531)</u>	<u>(6,413,520)</u>	<u>-</u>	<u>(107,637,051)</u>
Total capital assets being depreciated, net	<u>172,242,122</u>	<u>66,050,663</u>	<u>-</u>	<u>238,292,785</u>
Governmental activity capital assets, net	<u>\$ 304,685,487</u>	<u>\$ 124,262,673</u>	<u>\$ 68,432,215</u>	<u>\$ 360,515,945</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 3,920,286
Supervision of instruction	212,319
Instructional library, media and technology	115,468
School site administration	456,979
Home-to-school transportation	190,947
Food services	200,728
All other pupil services	262,822
Ancillary services	39,500
Community services	7,155
Centralized data processing	35,560
All other general administration	168,487
Plant services	803,269
Total depreciation expense	<u>\$ 6,413,520</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

### 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
<b>General Obligation Bonds:</b>					
Principal repayments	\$ 180,385,000	\$ -	\$ 2,520,000	\$ 177,865,000	\$ -
Unamortized issuance premium	6,637,797	-	245,088	6,392,709	245,088
Total - Bonds	187,022,797	-	2,765,088	184,257,709	245,088
<b>Certificates of Participation:</b>					
Principal repayments	9,400,000	-	225,000	9,175,000	235,000
Unamortized issuance premium	424,039	-	17,668	406,371	17,668
Total - Certificates of Participation	9,824,039	-	242,668	9,581,371	252,668
<b>Direct Borrowings and Private Placements:</b>					
COPs - 2012 Site Lease Agreement	15,551,384	-	3,534,790	12,016,594	3,761,316
Retirement health benefits funding bonds	64,565,000	33,520,000	35,030,000	63,055,000	2,220,000
Capital leases	5,801,341	-	660,749	5,140,592	716,395
Supplementary Retirement Plan	-	9,821,654	-	9,821,654	1,964,331
Compensated absences	4,676,726	-	604,261	4,072,465	-
Claims liability	7,125,000	295,000	-	7,420,000	-
Totals	\$ 294,566,287	\$ 43,636,654	\$ 42,837,556	\$ 295,365,385	\$ 9,159,798

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

#### A. General Obligation Bonds

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

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021
Series A	6/7/2018	8/1/2047	3.00-5.00%	\$ 188,000,000	\$ 180,385,000	\$ -	\$ 2,520,000	\$ 177,865,000

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

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

#### A. General Obligation Bonds (continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ -	\$ 6,916,625	\$ 6,916,625
2022-2023	-	6,916,625	6,916,625
2023-2024	370,000	6,907,375	7,277,375
2024-2025	680,000	6,881,125	7,561,125
2025-2026	1,015,000	6,838,750	7,853,750
2026-2031	11,165,000	32,894,250	44,059,250
2031-2036	24,470,000	28,983,816	53,453,816
2036-2041	41,140,000	23,707,847	64,847,847
2041-2046	64,610,000	13,791,000	78,401,000
2046-2048	34,415,000	1,404,100	35,819,100
Totals	<u>\$ 177,865,000</u>	<u>\$ 135,241,513</u>	<u>\$ 313,106,513</u>

#### B. Certificates of Participation

##### 2018 Certificates of Participation

On June 14, 2018, the Orange Schools Financing Corporation issued 2018 Financing Certificates of Participation in the amount of \$9,620,000. The certificates have a final maturity to occur on September 1, 2043, with interest rates ranging from 3.00% to 5.00%. Proceeds from the sale of the certificates were used to finance the construction and installation of the Fred Kelly Stadium at El Modena High School. At June 30, 2021, the principal balance outstanding was \$9,175,000.

The annual requirements to amortize all certificates are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-2022	\$ 235,000	\$ 373,806	\$ 608,806
2022-2023	245,000	364,206	609,206
2023-2024	255,000	354,206	609,206
2024-2025	265,000	342,481	607,481
2025-2026	280,000	328,856	608,856
2026-2031	1,625,000	1,413,656	3,038,656
2031-2036	2,065,000	967,569	3,032,569
2036-2041	2,490,000	540,106	3,030,106
2041-2044	1,715,000	94,885	1,809,885
Totals	<u>\$ 9,175,000</u>	<u>\$ 4,779,771</u>	<u>\$ 13,954,771</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

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

#### C. Direct Placements

##### Certificates of Participation - 2012 Site Lease Agreement

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

Under the 2012 site lease agreement, the District and the Corporation have agreed to refinance the 2003 certificates. In order to raise the funds needed for that purpose, the Corporation has assigned certain of its rights under the site lease and the lease, including the right to receive and enforce payment of the lease payments which are payable by the District under the lease, to Banc of America Public Capital Corporation under an assignment agreement dated as of September 27, 2012. The District is authorized to enter into a lease-leaseback agreement with the Corporation under Section 17456 of the California Education Code. Additional borrowing of \$38,069,161 was issued to refinance the outstanding certificates. At June 30, 2021, deferred amount on refunding was \$190,962. In the event of default, the Corporation may exercise any and all remedies available under law or granted to it under the lease.

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

Fiscal Year	Principal	Interest	Total
2021-2022	\$ 3,761,316	\$ 276,907	\$ 4,038,223
2022-2023	4,004,660	181,353	4,186,013
2023-2024	4,250,618	79,699	4,330,317
Totals	<u>\$ 12,016,594</u>	<u>\$ 537,959</u>	<u>\$ 12,554,553</u>

#### D. Retirement Health Benefits Funding Bonds

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

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

On June 9, 2021, the District issued \$33,520,000 of Taxable Retirement Health Benefits Refunding Bonds, Series 2021. The bonds bear fixed interest rates ranging between 1.90% and 2.70% with annual maturities from May 1, 2033 through May 1, 2043. The net proceeds of \$33,048,212 (after issuance costs of \$220,388 and original issuance discount of \$251,400) were used to advance refund \$32,970,000 of the District's outstanding 2008 Retirement Health Benefits Funding Bonds.



**ORANGE UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2021*

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

**D. Retirement Health Benefits Funding Bonds (continued)**

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021
2008	5/8/2008	5/1/2043	Variable	\$ 94,765,000	\$ 32,970,000	\$ -	\$ 32,970,000	\$ -
2019A	12/19/2019	5/1/2033	1.80% - 2.85%	33,595,000	31,595,000	-	2,060,000	29,535,000
2021	6/9/2021	5/1/2043	1.90%-2.70%	33,520,000	-	33,520,000	-	33,520,000
Totals					\$ 64,565,000	\$ 33,520,000	\$ 35,030,000	\$ 63,055,000

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest	Total
2021-2022	\$ 2,220,000	\$ 1,395,798	\$ 3,615,798
2022-2023	2,265,000	1,484,143	3,749,143
2023-2024	2,310,000	1,437,710	3,747,710
2024-2025	2,355,000	1,389,200	3,744,200
2025-2026	2,410,000	1,336,213	3,746,213
2026-2031	12,960,000	5,764,495	18,724,495
2031-2036	15,035,000	3,993,728	19,028,728
2036-2041	17,105,000	2,165,630	19,270,630
2041-2043	6,395,000	255,955	6,650,955
Totals	\$ 63,055,000	\$ 19,222,872	\$ 82,277,872

**E. Capital Leases**

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

Year Ending June 30,	Lease Payment
2022	\$ 943,144
2023	969,246
2024	996,652
2025	1,025,429
2026	1,055,645
2027 - 2028	956,675
Total minimum	\$ 5,946,791
Less interest	(806,199)
Total	\$ 5,140,592

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

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

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

#### F. PARS Supplementary Retirement Plan

District leadership worked with Public Agency Retirement Services (PARS) to design a Supplementary Retirement Plan (SRP), a retirement incentive offer that encouraged eligible employees to retire/separate from service. The goal of the program was to generate savings by increasing the number of retirements in the 2020-2021 school year. The SRP provides participating employees with a monthly benefit calculated utilizing 70% of their final year salary paid into the plan over a five-year period. As a result of the offer, 189 employees retired under the plan.

Future obligations under the plan are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2022	\$ 1,964,331
2023	1,964,331
2024	1,964,331
2025	1,964,331
2026	1,964,330
Total	<u>\$ 9,821,654</u>

#### G. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$10,970,000 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the financial statements.

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

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

<u>Pension Plan</u>	<u>Net OPEB Liability (Asset)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ (34,135,580)	\$ 7,079,393	\$ 17,441,000	\$ 866,903
MPP Program	1,606,377	-	-	251,935
Total	<u>\$ (32,529,203)</u>	<u>\$ 7,079,393</u>	<u>\$ 17,441,000</u>	<u>\$ 1,118,838</u>

## ORANGE UNIFIED SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2021*

---

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

The details of each plan are as follows:

#### **District Plan**

##### ***Plan Description***

The Orange Unified School District's defined benefit OPEB plan, Orange Unified District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the District. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through a contribution to PEMHCA. Dental coverage is offered through California's Valued Trust (CVT) and consists of a choice of Delta Dental HMO or Delta DPO.

##### ***Benefits Provided***

The District offers medical, dental and vision coverage to its retirees based on the employment group. The District also pays a percent-of-premium administrative fee to PEMHCA for each retiree.

Classified (CSEA) employees hired before July 1, 1992, who have completed at least 10 years of service with the District, and are at least age 50 at retirement, are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA for life.

Classified (CSEA) employees hired before July 1, 1992, who have completed at least 10 years of service with the District, and are at least age 50 at retirement and chose "Option B", are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65.

In 2019 and in 2021, Classified (CSEA) employees eligible for health benefits, who have completed at least 15 years of service with the District, and are at least age 55 but not yet 65 at retirement, are eligible to receive a monthly District contribution equal to the employee medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65. Employees hired on or after July 1, 1992, are not eligible for District-paid benefits. In 2020-21, the active cap was \$7,762 single, \$15,590 employee with spouse, and \$19,854 for family benefits.

Certificated employees hired before July 1, 1992 who have completed at least 10 years of service with the District, and are at least age 55 at retirement or 15 years of service if hired on or after July 1, 1991 and prior to July 1, 1992 and are at least 50 years at retirement, are eligible to receive a monthly District contribution equal to 100% of the family medical, dental and vision premiums, under PEMHCA for life.

Certificated employees hired on or after July 1, 1991, who have completed 15 years of service with the District and are at least age 55 at retirement, are eligible to receive a monthly District contribution equal to the employee medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65. In 2020-21, the active cap was \$7,560 single, \$15,225 employee with spouse, and \$19,425 for family benefits.

Management employees hired before July 1, 1992 who have completed at least 15 years of service with the District, and are at least age 50 for classified and 55 for certificated at retirement, are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA for life.

**ORANGE UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2021*

---

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

**District Plan (continued)**

***Benefits Provided (continued)***

Management employees hired before July 1, 1992, who have completed at least 15 years of service with the District, and are at least age 50 for classified and 55 for certificated at retirement and chose “Option B”, are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65.

Management employees hired on or after July 1, 1992, who have completed at least five years of service with the District, and are at least age 55 at retirement, are eligible to receive a monthly District contribution equal to the employee medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65. In 2020-21, the active cap was \$7,560 single, \$15,225 employee with spouse, and \$19,425 for family benefits.

***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	783
Active employees	1,338
Total	<u>2,121</u>

***Net OPEB Asset***

The District’s net OPEB asset of \$34,135,580 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

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

#### District Plan (continued)

##### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Inflation	2.75%
Salary increases	2.75%
	4.00% for medical and 3.00%
Healthcare cost trend rates	for dental and vision

Actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period June 30, 2019 to June 30, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Broad U.S. Equity	7%	4.4%
U.S. Fixed	84%	1.5%
Global ex-U.S. Equity	8%	5.5%
Real Estate	1%	3.7%

##### *Mortality Rates*

Pre-retirement mortality rates were based on the CalSTRS Experience Analysis (2015-2018) for certificated participants and on the CalPERS Experience Study (1997-2015) for classified participants. Post-retirement mortality rates were based on the CalSTRS Experience Analysis (2015-2018) for certificated retired members and beneficiaries and on the CalPERS Experience Study (1997-2015) for classified healthy recipients.

##### *Discount Rate*

GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

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

#### District Plan (continued)

#### *Discount Rate (continued)*

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return on Investments	Fidelity G.O. AA 20 Year Muni Index	Discount Rate
June 30, 2020	June 30, 2020	5.00%	2.45%	5.00%
June 30, 2021	June 30, 2021	5.00%	1.92%	5.00%

#### Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at July 1, 2020</b>	\$ 92,954,389	\$ 123,979,509	\$ (31,025,120)
<b>Changes for the year:</b>			
Service cost	1,722,863	-	1,722,863
Interest	4,597,487	-	4,597,487
Expected investment income	-	6,062,600	(6,062,600)
Changes in plan provisions	2,893,059	-	2,893,059
Differences between expected and actual experience	8,104,945	-	8,104,945
Differences between expected and actual return on assets	-	5,421,875	(5,421,875)
Changes of assumptions	(8,944,339)	-	(8,944,339)
Benefit payments	(5,522,369)	(5,522,369)	-
Net changes	2,851,646	5,962,106	(3,110,460)
<b>Balance at June 30, 2021</b>	\$ 95,806,035	\$ 129,941,615	\$ (34,135,580)

#### *Sensitivity of the Net OPEB Asset to Changes in the Discount Rate*

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

Discount Rate	Net OPEB Asset
1% decrease	\$ (25,878,378)
Current discount rate	\$ (34,135,580)
1% increase	\$ (41,451,751)

## ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

---

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

#### District Plan (continued)

##### *Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates*

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

Healthcare Cost Trend Rate	Net OPEB Asset
1% decrease	\$ (42,403,351)
Current trend rate	\$ (34,135,580)
1% increase	\$ (24,616,447)

##### *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 \$866,903. In addition, at June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,947,096	\$ 2,666,955
Changes of assumptions	-	9,152,404
Net difference between projected and actual earnings on OPEB plan investments	132,297	5,621,641
Total	\$ 7,079,393	\$ 17,441,000

The deferred outflows and inflows of resources related to the net difference between projected and actual earnings on OPEB plan investments will be amortized over five years.

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the current measurement period is 7.0 years for the current measurement period and 8.9 years for prior measurement periods.

# ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

---

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

### District Plan (continued)

#### *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

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	\$ 1,290,146	\$ 3,574,052
2023	1,157,849	3,574,049
2024	1,157,849	3,329,201
2025	1,157,849	3,064,387
2026	1,157,849	1,980,012
Thereafter	1,157,851	1,919,299
	<u>\$ 7,079,393</u>	<u>\$ 17,441,000</u>

### Investments

#### *Investment policy*

The District's Retirement Board of Authority oversees and runs the Futuris Trust. Benefit Trust Company is the qualified Discretionary Trustee for asset and fiduciary management and investment policy development. Keenan & Associates is the program coordinator for the Futuris Trust providing oversight of the Futuris Program and guidance to the District. Audited financial statements of the Futuris Trust OPEB long-term investment fund can be obtained from the District.

The District's policy regarding the Plan's allocation of invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines.

#### *Rate of return*

For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 9.87 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### 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>.



# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

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

#### Medicare Premium Payment (MPP) Program (continued)

##### *Benefits Provided*

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

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

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

##### *Total OPEB Liability*

At June 30, 2021, the District reported a liability of \$1,606,377 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>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Proportion of the Net OPEB Liability	0.379055%	0.363710%	0.015345%

For the year ended June 30, 2021, the District reported OPEB expense of \$251,935.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

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

#### Medicare Premium Payment (MPP) Program (continued)

##### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 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.

##### *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	\$ 1,776,296
Current discount rate	\$ 1,606,377
1% increase	\$ 1,461,787

## ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

---

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

#### Medicare Premium Payment (MPP) Program (continued)

##### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the 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	\$ 1,456,556
Current trend rate	\$ 1,606,377
1% increase	\$ 1,778,847

### NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 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	\$ 242,387,601	\$ 70,793,400	\$ 33,478,160	\$ 25,731,148
CalPERS	107,974,037	22,060,316	5,851,934	17,952,531
Total	\$ 350,361,638	\$ 92,853,716	\$ 39,330,094	\$ 43,683,679

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.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

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

##### Plan Description (continued)

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

##### Benefits Provided

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

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

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

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

**ORANGE UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2021*

---

**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state’s General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, 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 \$20,690,293.

**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	\$	242,387,601
State's proportionate share of the net pension liability associated with the District		<u>124,950,837</u>
Total	\$	<u><u>367,338,438</u></u>

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:

	<u>Percentage Share of Risk Pool</u>		
	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Change</u>
	<u>Ending</u>	<u>Ending</u>	<u>Increase/</u>
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>(Decrease)</u>
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Proportion of the Net Pension Liability	0.250119%	0.235324%	0.014794%

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

### NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$25,731,148. In addition, the District recognized pension expense and revenue of \$3,906,748 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	\$ 20,690,293	\$ -
Net change in proportionate share of net pension liability	16,764,776	23,125,744
Difference between projected and actual earnings on pension plan investments	9,274,404	3,516,670
Changes of assumptions	23,636,224	-
Differences between expected and actual experience	427,703	6,835,746
Total	<u>\$ 70,793,400</u>	<u>\$ 33,478,160</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 (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 10,216,850	\$ 11,004,753
2023	12,177,781	7,007,855
2024	14,141,214	5,031,827
2025	6,472,572	4,547,082
2026	3,075,959	3,275,979
Thereafter	4,018,730	2,610,663
Total	<u>\$ 50,103,107</u>	<u>\$ 33,478,160</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 9 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 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%)

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 9 – PENSION PLANS (continued)

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

##### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 366,213,902
Current discount rate (7.10%)	242,387,601
1% increase (8.10%)	140,151,553

##### 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 \$14,140,726.

#### 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>.



# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 9 – PENSION PLANS (continued)

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

##### Benefits Provided

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

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

	<b>Schools Pool (CalPERS)</b>	
	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 \$10,859,473.

**ORANGE UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2021*

**NOTE 9 – PENSION PLANS (continued)**

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

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$107,974,037. 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	
	Measurement Date	June 30, 2020	
Proportion of the Net Pension Liability	0.351901%	0.354076%	-0.002175%

For the year ended June 30, 2021, the District recognized pension expense of \$17,952,531. 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	\$ 10,859,473	\$ -
Net change in proportionate share of net pension liability	503,035	3,152,927
Difference between projected and actual earnings on pension plan investments	4,946,683	2,699,007
Changes of assumptions	395,945	-
Differences between expected and actual experience	5,355,181	-
Total	<u>\$ 22,060,316</u>	<u>\$ 5,851,934</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 (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.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 5,337,642	\$ 3,117,923
2023	2,977,417	1,526,542
2024	1,812,470	972,729
2025	1,073,315	220,993
2026	-	13,747
Thereafter	-	-
Total	\$ 11,200,843	\$ 5,851,934

##### 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.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

---

### NOTE 9 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return 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%)	\$ 155,232,368
Current discount rate (7.15%)	107,974,037
1% increase (8.15%)	68,751,994

#### C. Public Agency Retirement System (PARS)

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

#### D. Payables to the Pension Plans

At June 30, 2021, the District reported payables of \$2,017,978 and \$858,652 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2021.

## ORANGE 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 \$86.9 million.

##### **C. Litigation**

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

#### NOTE 11 – RISK MANAGEMENT

##### **Property and Liability**

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

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

##### **Workers' Compensation**

For fiscal year 2020-21, the District was self-funded for workers compensation for the first \$250,000 of each loss, with excess coverage provided through a commercial excess insurance policy up to a maximum limit of \$25 million.

##### **Employee Medical Benefits**

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

##### **Claims Liability**

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

**ORANGE 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, July 1, 2019	\$ 6,420,000
Claims and changes in estimates	4,659,941
Claims payments	<u>(3,954,941)</u>
Liability Balance, June 30, 2020	7,125,000
Claims and changes in estimates	2,663,145
Claims payments	<u>(2,368,145)</u>
Liability Balance, June 30, 2021	<u>\$ 7,420,000</u>
Assets available to pay claims at June 30, 2021	<u>\$ 18,763,572</u>

**NOTE 12 – ADJUSTMENTS FOR RESTATEMENT**

The result of the implementation of GASB 84 was to increase the fund balance and the net position at July 1, 2020 by \$2,092,192 which is the amount previously recorded as due to student groups in fiduciary funds at July 1, 2020, after adjustments.

The Retiree Benefits Fund and OPEB Trust Fund were restated by \$118,923,156 to move the activity of the OPEB Trust Fund into the Retiree Benefits Fund as of July 1, 2020.

The Debt Service Fund for Special Tax Bonds was restated by \$664,036, which is the amount previously recorded as due to bondholders at July 1, 2020.

---

---

*Required Supplementary Information*

---

---

*(This page intentionally left blank)*



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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Pos (Neg)
<b>Revenues</b>				
LCFF sources	\$ 234,451,319	\$ 232,373,894	\$ 232,379,738	\$ 5,844
Federal sources	13,128,060	35,381,681	33,551,701	(1,829,980)
Other state sources	38,020,948	47,177,402	60,612,208	13,434,806
Other local sources	9,736,090	13,050,129	12,622,311	(427,818)
<b>Total Revenues</b>	<b>295,336,417</b>	<b>327,983,106</b>	<b>339,165,958</b>	<b>11,182,852</b>
<b>Expenditures</b>				
Current:				
Certificated salaries	126,099,371	128,404,583	131,136,576	(2,731,993)
Classified salaries	48,794,314	50,025,385	55,292,513	(5,267,128)
Employee benefits	84,056,684	81,405,874	81,664,614	(258,740)
Books and supplies	10,056,186	27,071,635	21,425,272	5,646,363
Services and other operating expenditures	30,633,985	33,075,738	28,041,586	5,034,152
Transfers of indirect costs	(681,860)	(404,437)	(470,163)	65,726
Capital outlay	1,120,888	3,965,914	3,598,359	367,555
Other Outgo	6,752,000	6,305,908	5,889,675	416,233
<b>Total Expenditures</b>	<b>306,831,568</b>	<b>329,850,600</b>	<b>326,578,432</b>	<b>3,272,168</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,495,151)	(1,867,494)	12,587,526	14,455,020
<b>Other Financing Sources and Uses</b>				
Interfund transfers in	3,660,000	3,660,000	3,430,351	(229,649)
Interfund transfers out	(3,670,400)	(3,600,000)	(4,842,187)	(1,242,187)
Other financing sources (uses)	-	-	471,788	471,788
<b>Total Other Financing Sources and Uses</b>	<b>(10,400)</b>	<b>60,000</b>	<b>(940,048)</b>	<b>(1,000,048)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,505,551)	(1,807,494)	11,647,478	13,454,972
Fund Balances, July 1, 2020	68,671,269	78,021,108	78,021,108	-
Fund Balances, June 30, 2021	<u>\$ 57,165,718</u>	<u>\$ 76,213,614</u>	89,668,586	<u>\$ 13,454,972</u>
Special Reserve Fund for Other Than Capital Outlay Projects			632,238	
<b>Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<u>\$ 90,300,824</u>	

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

	<i>Last Ten Fiscal Years*</i>						
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<b>CalSTRS</b>							
District's proportion of the net pension liability	0.2501%	0.2353%	0.2540%	0.2450%	0.2580%	0.2650%	0.2470%
District's proportionate share of the net pension liability	\$ 242,387,601	\$ 212,535,592	\$ 233,507,872	\$ 226,807,912	\$ 208,815,385	\$ 178,209,476	\$ 144,402,030
State's proportionate share of the net pension liability associated with the District	124,950,837	115,952,354	133,694,833	134,178,738	118,892,375	94,305,803	87,095,715
Totals	<u>\$ 367,338,438</u>	<u>\$ 328,487,946</u>	<u>\$ 367,202,705</u>	<u>\$ 360,986,650</u>	<u>\$ 327,707,760</u>	<u>\$ 272,515,279</u>	<u>\$ 231,497,745</u>
District's covered-employee payroll	<u>\$ 124,171,450</u>	<u>\$ 128,054,165</u>	<u>\$ 132,092,488</u>	<u>\$ 131,030,288</u>	<u>\$ 129,820,436</u>	<u>\$ 122,389,401</u>	<u>\$ 110,062,230</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.20%	165.97%	176.80%	173.10%	160.85%	145.61%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	70%	70%	74%	77%
<b>CalPERS</b>							
District's proportion of the net pension liability	0.3519%	0.3541%	0.3700%	0.3680%	0.3760%	0.3750%	0.3490%
District's proportionate share of the net pension liability	<u>\$ 107,974,037</u>	<u>\$ 103,192,861</u>	<u>\$ 98,551,857</u>	<u>\$ 87,784,702</u>	<u>\$ 74,270,848</u>	<u>\$ 55,217,596</u>	<u>\$ 39,608,976</u>
District's covered-employee payroll	<u>\$ 49,696,729</u>	<u>\$ 49,329,432</u>	<u>\$ 48,600,692</u>	<u>\$ 46,740,641</u>	<u>\$ 45,081,117</u>	<u>\$ 41,508,908</u>	<u>\$ 36,626,106</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.27%	209.19%	202.80%	187.80%	164.75%	133.03%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

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

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

	<i>Last Ten Fiscal Years*</i>						
	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>CalSTRS</b>							
Contractually required contribution	\$ 20,690,293	\$ 21,233,318	\$ 20,847,218	\$ 18,425,894	\$ 16,157,373	\$ 13,515,699	\$ 10,589,609
Contributions in relation to the contractually required contribution	<u>20,690,293</u>	<u>21,233,318</u>	<u>20,847,218</u>	<u>18,425,894</u>	<u>16,157,373</u>	<u>13,515,699</u>	<u>10,589,609</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 128,113,269</u>	<u>\$ 124,171,452</u>	<u>\$ 128,054,165</u>	<u>\$ 132,092,488</u>	<u>\$ 131,030,288</u>	<u>\$ 129,820,436</u>	<u>\$ 122,389,401</u>
Contributions as a percentage of covered-employee payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>13.95%</u>	<u>12.33%</u>	<u>10.41%</u>	<u>8.65%</u>
<b>CalPERS</b>							
Contractually required contribution	\$ 10,859,473	\$ 9,800,692	\$ 8,909,882	\$ 7,549,236	\$ 6,393,311	\$ 5,240,840	\$ 4,817,989
Contributions in relation to the contractually required contribution	<u>10,859,473</u>	<u>9,800,692</u>	<u>8,909,882</u>	<u>7,549,236</u>	<u>6,393,311</u>	<u>5,240,840</u>	<u>4,817,989</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 52,461,222</u>	<u>\$ 49,696,729</u>	<u>\$ 49,329,432</u>	<u>\$ 48,600,692</u>	<u>\$ 46,710,641</u>	<u>\$ 45,081,117</u>	<u>\$ 41,508,908</u>
Contributions as a percentage of covered-employee payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.687%</u>	<u>11.625%</u>	<u>11.607%</u>

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

# ORANGE UNIFIED SCHOOL DISTRICT

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

Last Ten Fiscal Years\*

	2020-21	2019-20	2018-19	2017-18
<b>Total OPEB liability</b>				
Service cost	\$ 1,722,863	\$ 2,025,591	\$ 1,921,862	\$ 1,870,425
Interest	4,597,487	4,517,658	4,492,477	4,435,360
Changes of benefit terms	2,893,059	-	-	-
Difference between expected and actual experience	8,104,945	-	(3,248,750)	-
Changes in assumptions	(8,944,339)	(84,813)	(2,241,336)	-
Benefit payments	(5,522,369)	(5,773,647)	(6,556,697)	(3,675,794)
<b>Net change in total OPEB liability</b>	<b>2,851,646</b>	<b>684,789</b>	<b>(5,632,444)</b>	<b>2,629,991</b>
<b>Total OPEB liability - beginning</b>	<b>92,954,389</b>	<b>92,269,600</b>	<b>97,902,044</b>	<b>95,272,053</b>
<b>Total OPEB liability - ending</b>	<b>\$ 95,806,035</b>	<b>\$ 92,954,389</b>	<b>\$ 92,269,600</b>	<b>\$ 97,902,044</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ -	\$ -	\$ 2,275,056	\$ 4,854,486
Net investment income	6,062,600	7,312,904	7,451,519	-
Benefit payments	(5,522,369)	(5,773,647)	(6,556,697)	(3,675,794)
Investment gains/losses	5,421,875	-	-	-
Administrative expense	-	(446,028)	(436,759)	(449,007)
<b>Net change in plan fiduciary net position</b>	<b>5,962,106</b>	<b>1,093,229</b>	<b>2,733,119</b>	<b>729,685</b>
<b>Plan fiduciary net position - beginning</b>	<b>123,979,509</b>	<b>122,886,280</b>	<b>120,153,161</b>	<b>119,423,476</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 129,941,615</b>	<b>\$ 123,979,509</b>	<b>\$ 122,886,280</b>	<b>\$ 120,153,161</b>
<b>District's net OPEB liability (asset) - ending</b>	<b>\$ (34,135,580)</b>	<b>\$ (31,025,120)</b>	<b>\$ (30,616,680)</b>	<b>\$ (22,251,117)</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability (asset)</b>	<b>135.63%</b>	<b>133.38%</b>	<b>133.18%</b>	<b>122.73%</b>
<b>Covered-employee payroll</b>	<b>\$ 182,926,362</b>	<b>\$ 190,483,880</b>	<b>\$ 185,385,771</b>	<b>\$ 192,607,861</b>
<b>Net OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>(18.66%)</b>	<b>(16.29%)</b>	<b>(16.52%)</b>	<b>(11.55%)</b>

**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.

**ORANGE UNIFIED SCHOOL DISTRICT**

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2021*

---

*Last Ten Fiscal Years\**

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of net OPEB liability	<u>0.3791%</u>	<u>0.3637%</u>	<u>0.3995%</u>	<u>0.3903%</u>
District's proportionate share of net OPEB liability	<u>\$ 1,606,377</u>	<u>\$ 1,354,442</u>	<u>\$ 1,529,303</u>	<u>\$ 1,642,187</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>(0.71%)</u>	<u>(0.81%)</u>	<u>0.40%</u>	<u>0.01%</u>

**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.*

# ORANGE 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.

**ORANGE 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.

*(This page intentionally left blank)*



---

---

*Supplementary Information*

---

---

*(This page intentionally left blank)*

# ORANGE UNIFIED SCHOOL DISTRICT

## Local Educational Agency Organization Structure

June 30, 2021

---

The Orange Unified School District is located in the central portion of Orange County. The District operates under a locally-elected seven-member board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. Founded in 1953, the District encompasses nearly 108 square miles, including the cities of Orange, Villa Park, and portions of Santa Ana, Anaheim, and Garden Grove. Starting from an original school building in 1972, the District has grown to 26 elementary schools (K-6), one magnet school (K-8), three middle schools (7-8), two charter schools (7-8), four high schools (9-12), a school for students with special needs, a community day school, and one continuation high school. A Career Education Center houses the District's Regional Occupational Program and Child Development Center. The District educates approximately 24,000 students.

### **GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Kathryn A. Moffat	President	2022
Andrea Yamasaki	Vice President	2022
Kris Erickson	Clerk	2022
John Ortega	Member	2024
Angie Rumsey	Member	2024
Ana Page	Member	2024
Rick Ledesma	Member	2022

### **DISTRICT ADMINISTRATORS**

Gunn Marie Hansen, Ph.D.,  
*Superintendent*

Cathleen Corella,  
*Assistant Superintendent, Educational Services*

David Rivera,  
*Assistant Superintendent, Business Services/CBO*

Ernest Gonzalez,  
*Assistant Superintendent, Human Resources*

**ORANGE UNIFIED SCHOOL DISTRICT**

*Schedule of Instructional Time*

*For the Fiscal Year Ended June 30, 2021*

---

---

<b>Orange Unified School District</b>				
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

---

<b>El Rancho Charter School</b>				
Number of Instructional Days				
Grade Level	Actual	Number of Days from J-13A		Status
		Waiver	Total	
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied

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

General Fund	(Budget) 2022 <sup>2</sup>	2021 <sup>3</sup>	2020	2019
Revenues and other financing sources	\$ 364,561,623	\$ 343,068,097	\$ 318,236,596	\$ 298,381,903
Expenditures	375,249,006	326,578,432	304,900,076	289,050,901
Other uses and transfers out	3,635,000	4,842,187	3,662,375	-
Total outgo	378,884,006	331,420,619	308,562,451	289,050,901
Change in fund balance (deficit)	(14,322,383)	11,647,478	9,674,145	9,331,002
Ending fund balance	\$ 75,346,203	\$ 89,668,586	\$ 78,021,108	\$ 68,346,963
Available reserves <sup>1</sup>	\$ 61,779,041	\$ 57,772,816	\$ 53,357,796	\$ 52,414,435
Available reserves as a percentage of total outgo	16.3%	17.4%	17.3%	18.1%
Total long-term debt	\$ 636,567,225	\$ 645,727,023	\$ 610,294,740	\$ 649,574,354
Average daily attendance at P-2	22,847	N/A	23,844	24,276

The General Fund balance has increased over the past two years by \$21,321,623. The fiscal year 2021-22 adopted budget projects a decrease of \$14,322,383. 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 not incurred an operating deficit in any of the past three years, but anticipates incurring an operating deficit during the 2021-22 fiscal year. Long-term debt has decreased by \$3,847,331 over the past two years.

Average daily attendance decreased by 432 ADA in 2019-20 compared to the previous year. The District did not report ADA in fiscal year 2020-21 and was funded on its 2019-20 ADA. Budgeted ADA for fiscal year 2021-22 is 22,847.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised Final Budget September, 2021.

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

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

---

	General Fund	Self Insurance Fund	Retiree Benefits Fund
June 30, 2021, annual financial and budget report (SACS) fund balances	\$ 96,705,914	\$ 10,937,645	\$ 146,398,449
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
ELO revenue overstated	(7,037,328)	-	-
Local revenue understated/(overstated)	-	123,427	(1,950)
Cash overstated	-	-	(9,730,602)
Net adjustments and reclassifications	<u>(7,037,328)</u>	<u>123,427</u>	<u>(9,732,552)</u>
June 30, 2021, audited financial statement fund balances	<u>\$ 89,668,586</u>	<u>\$ 11,061,072</u>	<u>\$ 136,665,897</u>

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Schedule of Charter Schools*  
*For the Fiscal Year Ended June 30, 2021*

---

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

**ORANGE 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	\$ 247,911	
School Breakfast Program - Especially Needy	10.553	13526	1,903,218	
National School Lunch Program	10.555	13523	4,895,162	
USDA Donated Foods	10.555	13391	<u>899,544</u>	
Total Child Nutrition Cluster				\$ 7,945,835
Forest Reserve Funds	10.665	10044		<u>8,670</u>
Total U.S. Department of Agriculture				<u>7,954,505</u>
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516		<u>13,273,371</u>
Total U.S. Department of Treasury				<u>13,273,371</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		5,492,512
Title II, Part A, Supporting Effective Instruction	84.367	14344		550,229
English Language Acquisition Grants				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	642231	
Title III, Immigrant Education Program	84.365	15146	<u>1,280</u>	
Subtotal English Language Acquisition Grants				643,511
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		353,411
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	3,344,447	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,005,014	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	204,938	
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	<u>635,961</u>	
Subtotal Education Stabilization Fund				7,190,360
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	5,405,138	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	18,937	
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	130,885	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	278,797	
Preschool Staff Development	84.173A	13431	1,881	
Special Ed: Supporting Inclusive Practices	84.027A	13693	5,971	
Special Ed: Alternate Dispute Resolution	84.173A	13007	<u>28,815</u>	
Total Special Education Cluster				5,870,424
Early Intervention Grants, Part C	84.181	23761		86,305
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		199,946
Indian Education	84.060	10011		<u>22,656</u>
Total U.S. Department of Education				<u>20,409,354</u>
Total Expenditures of Federal Awards				<u>\$ 41,637,230</u>

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



# ORANGE 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*.

### Schedule of Financial Trends and Analysis

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

### Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

### Schedule of Charter Schools

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

### Schedule of Expenditures of Federal Awards

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

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.

	<u>Assistance Listing</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 42,655,417
Differences between Federal Revenues and Expenditures:		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	(927,782)
Child Dev: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	<u>(90,405)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 41,637,230</u>

---

---

*Other Independent Auditors' Reports*

---

---

*(This page intentionally left blank)*



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

Board of Education  
Orange Unified School District  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Unified School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Orange Unified School District's basic financial statements, and have issued our report thereon dated November 18, 2021.

**Internal Control Over Financial Reporting**

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

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

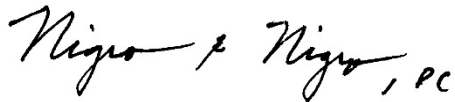
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**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.

Handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 18, 2021



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

Board of Education  
Orange Unified School District  
Orange, California

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Orange Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

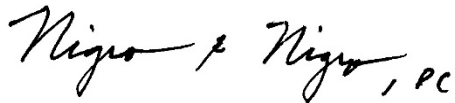
### **Report on Internal Control Over Compliance**

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

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

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

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



Murrieta, California  
November 18, 2021



A Professional Accountancy Corporation

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Education  
 Orange Unified School District  
 Orange, California

**Report on State Compliance**

We have audited Orange Unified School District's compliance with the types of compliance requirements described in the *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 Orange Unified School District's state government programs as noted below and 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 Orange Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 Orange Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

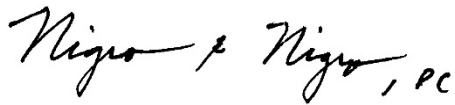
Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes



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
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
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, Orange Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.



Murrieta, California  
November 18, 2021

---

---

*Schedule of Findings and Questioned Costs*

---

---

*(This page intentionally left blank)*

**ORANGE UNIFIED SCHOOL DISTRICT**

*Summary of Auditors' Results*

*For the Fiscal Year Ended June 30, 2021*

---

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>21.019</u>	<u>Coronavirus Relief Fund: Learning Loss Mitigation</u>
<u>84.425, 84.425C, 84.425D</u>	<u>Elementary and Secondary School Emergency Relief (ESSER) Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,249,117</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
---	-------------------

**ORANGE 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:

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

*There were no financial statement findings in 2020-21.*

**ORANGE 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.*

**ORANGE 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.

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

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

---

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