NEWPORT-MESA UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2023



NEWPORT-MESA UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Newport-Mesa Unified School District
Costa Mesa, California

Report on the Audit of the Financial Statements

Opinions

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

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 the Newport-Mesa Unified School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Newport-Mesa Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Newport-Mesa Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Newport-Mesa Unified School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newport-Mesa Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the Newport-Mesa Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newport-Mesa Unified School 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 Newport-Mesa Unified School District's internal control over financial reporting and compliance.

Christy White, Inc

San Diego, California
December 13, 2023

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

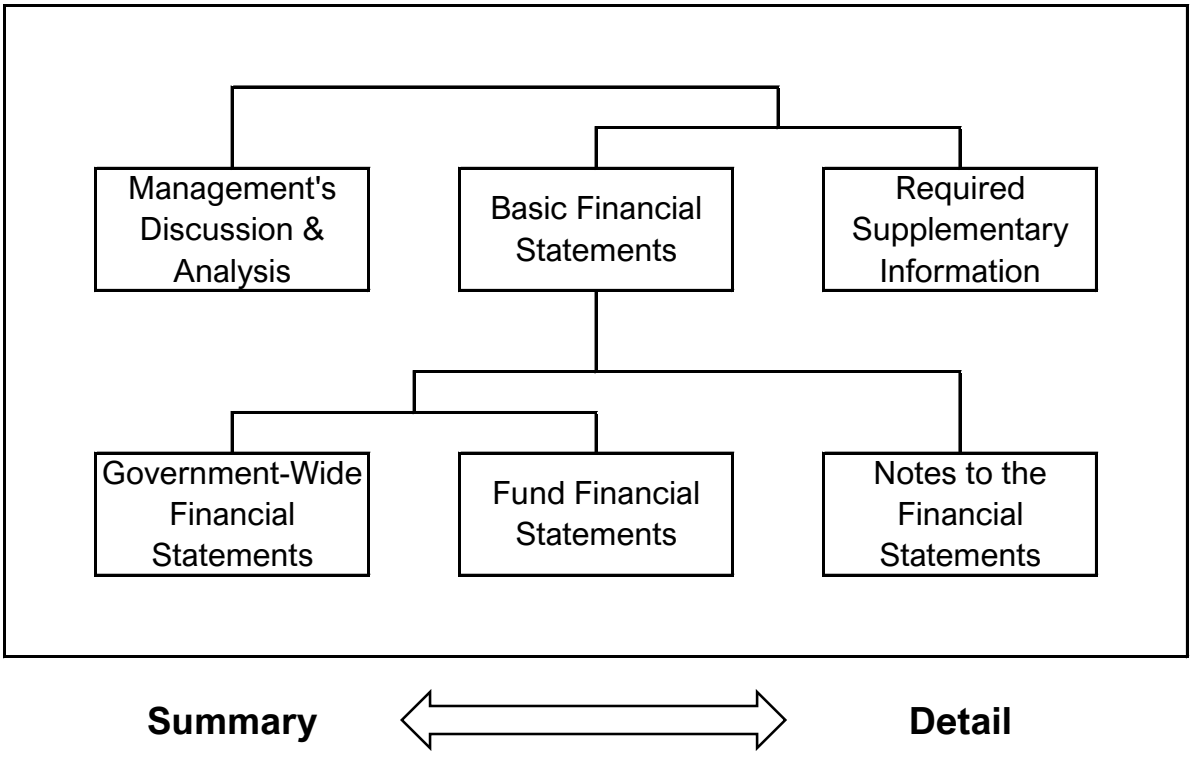
Our discussion and analysis of Newport-Mesa Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $(23,601,503) at June 30, 2023. This was an increase of $78,310,370 from the prior year.
- Overall revenues were $498,025,699 which exceeded expenses of $419,713,329.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** 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.

  - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

  - **Fiduciary Funds** report resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide statement because the resources of the fund are not available to support the District's own programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-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 government'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 government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $(23,601,503) at June 30, 2023, as reflected in the table below. Of this amount, $(261,028,690) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2023	2022	Net Change
ASSETS			
Current and other assets	$ 392,921,140	$ 313,380,778	$ 79,540,362
Capital assets	311,163,052	327,763,992	(16,600,940)
Total Assets	704,084,192	641,144,770	62,939,422
DEFERRED OUTFLOWS OF RESOURCES	130,500,642	100,581,535	29,919,107
LIABILITIES			
Current liabilities	45,287,775	39,761,455	5,526,320
Long-term liabilities	772,822,477	661,017,757	111,804,720
Total Liabilities	818,110,252	700,779,212	117,331,040
DEFERRED INFLOWS OF RESOURCES	39,499,284	142,860,966	(103,361,682)
NET POSITION			
Net investment in capital assets	123,435,110	125,534,921	(2,099,811)
Restricted	113,992,077	84,146,199	29,845,878
Unrestricted	(261,028,690)	(311,594,993)	50,566,303
Total Net Position	$ (23,601,503)	$ (101,913,873)	$ 78,312,370

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2023	2022	Net Change
REVENUES			
Program revenues			
Charges for services and sales	$ 855,516	$ 982,208	$ (126,692)
Operating grants and contributions	111,207,262	90,496,075	20,711,187
Capital grants and contributions	9,495,300	(390,393)	9,885,693
General revenues			
Property taxes	349,268,927	322,965,826	26,303,101
Unrestricted federal and state aid	17,777,371	14,496,044	3,281,327
Other	9,421,323	217,703	9,203,620
Total Revenues	498,025,699	428,767,463	69,258,236
EXPENSES			
Instruction	194,212,836	157,748,047	36,464,789
Instruction-related services	49,191,528	39,644,274	9,547,254
Pupil services	40,537,334	31,556,018	8,981,316
General administration	27,662,989	24,113,953	3,549,036
Plant services	57,422,082	40,217,498	17,204,584
Ancillary and community services	8,765,964	7,239,937	1,526,027
Debt service	12,859,596	16,770,333	(3,910,737)
Other outgo	3,616,954	3,285,885	331,069
Depreciation	25,444,046	28,131,581	(2,687,535)
Total Expenses	419,713,329	348,707,526	71,005,803
Change in net position	78,312,370	80,059,937	(1,747,567)
Net Position - Beginning	(101,913,873)	(181,973,810)	80,059,937
Net Position - Ending	$ (23,601,503)	$ (101,913,873)	$ 78,312,370

The cost of all our governmental activities this year was $419,713,329 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only $349,268,927 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2023	2022
Instruction	$ 129,369,713	$ 108,557,853
Instruction-related services	40,710,753	28,548,400
Pupil services	11,110,798	16,706,247
General administration	21,079,111	18,162,864
Plant services	57,106,203	39,397,744
Ancillary and community services	3,774,037	2,887,577
Debt service	12,859,596	16,770,333
Other outgo	(3,299,006)	(1,542,963)
Depreciation	25,444,046	28,131,581
Total	$ 298,155,251	$ 257,619,636

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR 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 $337,795,697, which is more than last year's ending fund balance of $269,998,272. The District's General Fund had $61,589,453 more in operating revenues than expenditures for the year ended June 30, 2023, additionally, the General Fund had transfers out of $45,371,930 for a net increase in fund balance of $16,217,523. The District's Special Reserve Fund for Capital Outlay Projects had $4,409,055 less in operating revenues than expenditures for the year ended June 30, 2023, the Special Reserve Fund for Capital Outlay Projects had transfers in of $45,000,000 for a net increase in fund balance of $40,590,945.

CURRENT YEAR BUDGET 2022-2023

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2022-2023 the District had invested $311,163,052 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2023	2022	Net Change
CAPITAL ASSETS			
Land	$ 21,548,963	$ 21,548,963	$ -
Construction in progress	41,582,607	35,700,877	5,881,730
Land improvements	88,291,735	88,291,735	-
Buildings & improvements	510,304,123	510,222,741	81,382
Furniture & equipment	32,865,927	31,584,786	1,281,141
Less: Accumulated depreciation	(383,430,303)	(359,585,110)	(23,845,193)
Total Capital Assets	$ 311,163,052	$ 327,763,992	$ (16,600,940)

Long-Term Liabilities

At year-end, the District had $762,739,881 in long-term liabilities, an increase of 17.17% from last year – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2023	2022	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 346,137,573	$ 349,136,754	$ (2,999,181)
California energy commission loan	-	428,574	(428,574)
Financed purchases	16,640	28,574	(11,934)
Compensated absences	3,890,720	4,929,098	(1,038,378)
Total OPEB liability	125,896,909	117,524,574	8,372,335
Net pension liability	296,870,140	191,971,086	104,899,054
Less: current portion of long-term liabilities	(10,072,101)	(13,047,878)	2,975,777
Total Long-term Liabilities	$ 762,739,881	$ 650,970,782	$ 111,769,099

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California's economy regardless of the Federal Reserve's policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of $106.8 billion ($77.4 billion General Fund and $29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of $108.8 billion ($79.6 billion General Fund and $29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF. Additionally, the May revise saw a reduction of $1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a $2.5 billion reduction of the Learning Recovery Emergency Block Grant.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The CalPERS projected employer contribution rate for 2023-24 is 26.68 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, the Assistant Superintendent, Chief Business Official at 2985 Bear Street, Building A, Costa Mesa, California 92626-4300.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	$ 370,082,766
Accounts receivable	22,548,756
Inventory	240,156
Prepaid expenses	49,462
Capital assets, not depreciated	63,131,570
Capital assets, net of accumulated depreciation	248,031,482
Total Assets	704,084,192
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	100,822,767
Deferred outflows related to OPEB	19,928,864
Deferred amount on refunding	9,749,011
Total Deferred Outflows of Resources	130,500,642
LIABILITIES	
Accrued liabilities	31,302,222
Unearned revenue	4,490,253
Claims liabilities	10,082,596
Long-term liabilities, current portion	10,072,101
Long-term liabilities, non-current portion	762,739,881
Total Liabilities	818,687,053
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	32,301,335
Deferred inflows related to OPEB	7,197,949
Total Deferred Inflows of Resources	39,499,284
NET POSITION	
Net investment in capital assets	123,435,110
Restricted:	
Capital projects	52,327,020
Debt service	13,489,608
Educational programs	45,920,426
Food service	633,421
Associated student body	1,621,602
Unrestricted	(261,028,690)
Total Net Position	$ (23,601,503)

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 194,212,836	$ 155,363	$ 55,192,460	$ 9,495,300	$ (129,369,713)
Instruction-related services					
Instructional supervision and administration	21,379,154	27,016	4,928,483	-	(16,423,655)
Instructional library, media, and technology	4,013,875	887	201,600	-	(3,811,388)
School site administration	23,798,499	4,661	3,318,128	-	(20,475,710)
Pupil services					
Home-to-school transportation	8,246,847	107	36,171	-	(8,210,569)
Food services	10,874,897	24,299	9,953,919	-	(896,679)
All other pupil services	21,415,590	23,419	19,388,621	-	(2,003,550)
General administration					
Centralized data processing	14,360,056	-	265,028	-	(14,095,028)
All other general administration	13,302,933	1,740	6,317,110	-	(6,984,083)
Plant services	57,422,082	1,661	314,218	-	(57,106,203)
Ancillary services	8,765,964	25,480	4,966,447	-	(3,774,037)
Interest on long-term debt	12,859,596	-	-	-	(12,859,596)
Other outgo	3,616,954	590,883	6,325,077	-	3,299,006
Depreciation (unallocated)	25,444,046	-	-	-	(25,444,046)
Total Governmental Activities	$ 419,713,329	$ 855,516	$ 111,207,262	$ 9,495,300	(298,155,251)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					332,088,372
Property taxes, levied for debt service					16,337,444
Property taxes, levied for other specific purposes					843,111
Federal and state aid not restricted for specific purposes					17,777,371
Interest and investment earnings					7,017,448
Miscellaneous					2,403,875
Subtotal, General Revenue					376,467,621
CHANGE IN NET POSITION					78,312,370
Net Position - Beginning					(101,913,873)
Net Position - Ending					$ (23,601,503)

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 214,223,011	$ 36,191,174	$ 98,891,766	$ 349,305,951
Accounts receivable	19,313,570	112,941	3,059,042	22,485,553
Due from other funds	2,231,747	45,000,000	426,317	47,658,064
Stores inventory	95,562	-	144,594	240,156
Prepaid expenditures	49,462	-	-	49,462
Total Assets	$ 235,913,352	$ 81,304,115	$ 102,521,719	$ 419,739,186
LIABILITIES				
Accrued liabilities	$ 27,498,058	$ 1,143,566	$ 1,205,730	$ 29,847,354
Due to other funds	45,426,181	-	2,179,701	47,605,882
Unearned revenue	2,639,897	-	1,850,356	4,490,253
Total Liabilities	75,564,136	1,143,566	5,235,787	81,943,489
FUND BALANCES				
Nonspendable	295,024	-	140,197	435,221
Restricted	45,078,052	35,146	97,145,735	142,258,933
Assigned	94,583,240	80,125,403	-	174,708,643
Unassigned	20,392,900	-	-	20,392,900
Total Fund Balances	160,349,216	80,160,549	97,285,932	337,795,697
Total Liabilities and Fund Balances	$ 235,913,352	$ 81,304,115	$ 102,521,719	$ 419,739,186

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Funds		$ 337,795,697
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
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	$ 694,593,355	
Accumulated depreciation	(383,430,303)	311,163,052
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		9,749,011
Unmatured interest on long-term debt:		
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:		(1,236,750)
Long-term liabilities:		
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 governmental activities consist of:		
Total general obligation bonds	$ 346,137,573	
Financed purchases	16,640	
Compensated absences	3,890,720	
Total OPEB liability	125,896,909	
Net pension liability	296,870,140	(772,811,982)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 100,822,767	
Deferred inflows of resources related to pensions	(32,301,335)	68,521,432

(continued on the next page)

The accompanying notes are an integral part of these financial statements.

Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 19,928,864	
Deferred inflows of resources related to OPEB	(7,197,949)	12,730,915
Internal service funds:		
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, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		10,487,122
Total Net Position - Governmental Activities		$ (23,601,503)

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 342,272,606	$ -	$ -	$ 342,272,606
Federal sources	28,917,469	-	6,331,527	35,248,996
Other state sources	77,654,063	-	16,833,124	94,487,187
Other local sources	20,545,938	835,087	24,076,702	45,457,727
Total Revenues	469,390,076	835,087	47,241,353	517,466,516
EXPENDITURES				
Current				
Instruction	225,303,099	-	3,108,462	228,411,561
Instruction-related services				
Instructional supervision and administration	23,380,785	-	363,734	23,744,519
Instructional library, media, and technology	4,332,586	-	-	4,332,586
School site administration	26,408,324	-	162,621	26,570,945
Pupil services				
Home-to-school transportation	8,070,866	-	-	8,070,866
Food services	89,128	-	10,664,701	10,753,829
All other pupil services	25,053,426	-	-	25,053,426
General administration				
Centralized data processing	14,267,447	-	-	14,267,447
All other general administration	14,351,617	-	689,315	15,040,932
Plant services	52,597,611	-	25,145	52,622,756
Facilities acquisition and construction	5,664,604	4,801,686	2,181,190	12,647,480
Ancillary services	4,670,925	-	4,487,330	9,158,255
Transfers to other agencies	3,598,271	-	-	3,598,271
Debt service				
Principal	11,934	428,574	8,028,512	8,469,020
Interest and other	-	13,882	6,913,316	6,927,198
Total Expenditures	407,800,623	5,244,142	36,624,326	449,669,091
Excess (Deficiency) of Revenues Over Expenditures	61,589,453	(4,409,055)	10,617,027	67,797,425
Other Financing Sources (Uses)				
Transfers in	-	45,000,000	371,930	45,371,930
Transfers out	(45,371,930)	-	-	(45,371,930)
Net Financing Sources (Uses)	(45,371,930)	45,000,000	371,930	-
NET CHANGE IN FUND BALANCE	16,217,523	40,590,945	10,988,957	67,797,425
Fund Balance - Beginning	144,131,693	39,569,604	86,296,975	269,998,272
Fund Balance - Ending	$ 160,349,216	$ 80,160,549	$ 97,285,932	$ 337,795,697

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Governmental Funds		$ 67,797,425
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
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 is:		
Expenditures for capital outlay:	$ 8,843,106	
Depreciation expense:	(25,444,046)	(16,600,940)
Debt service:		
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 reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		10,860,508
Deferred amounts on refunding:		
In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:		(1,624,835)
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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:		703,085
Accreted interest on long-term debt:		
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.		(8,724,053)
Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		1,038,378

(continued on the next page)

The accompanying notes are an integral part of these financial statements.

Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	(13,348,034)
Pensions:	
In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	34,982,269
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	1,303,234
Internal Service Funds:	
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 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:	1,925,333
Change in Net Position of Governmental Activities	$ 78,312,370

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and investments	$ 20,776,815
Accounts receivable	63,203
Total Assets	20,840,018
LIABILITIES	
Current liabilities	
Accrued liabilities	218,118
Due to other funds	52,182
Total current liabilities	270,300
Non-current liabilities	
Claims liabilities	10,082,596
Total non-current liabilities	10,082,596
Total Liabilities	10,352,896
NET POSITION	
Restricted	10,487,122
Total Net Position	$ 10,487,122

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 4,170,336
Other local revenues	216
Total operating revenues	4,170,552
OPERATING EXPENSES	
Salaries and benefits	169,295
Professional services	2,631,687
Total operating expenses	2,800,982
Operating income/(loss)	1,369,570
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	555,763
Total non-operating revenues/(expenses)	555,763
CHANGE IN NET POSITION	1,925,333
Net Position - Beginning	8,561,789
Net Position - Ending	$ 10,487,122

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities	
	Internal Service Fund	
Cash flows from operating activities		
Cash received from user charges	$	4,117,661
Cash payments for payroll, insurance, and operating costs		(2,558,305)
Net cash provided by (used for) operating activities		1,559,356
Cash flows from investing activities		
Interest received		555,763
Net cash provided by (used for) investing activities		555,763
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,115,119
CASH AND CASH EQUIVALENTS		
Beginning of year		18,661,696
End of year	$	20,776,815
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	$	1,369,570
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables		(52,891)
Increase (decrease) in accrued liabilities		156,839
Increase (decrease) in due to other funds		50,217
Increase (decrease) in claims liabilities		35,621
Net cash provided by (used for) operating activities	$	1,559,356

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Custodial Fund
	Flexible Benefits Account
ASSETS	
Cash and investments	$ 334,999
Total Assets	334,999
NET POSITION	
Restricted	334,999
Total Net Position	$ 334,999

The accompanying notes are an integral part of these financial statements.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
	Flexible Benefits Account
ADDITIONS	
Other revenues	$ 454,891
Total Additions	454,891
DEDUCTIONS	
Other expenditures	535,899
Total Deductions	535,899
CHANGE IN NET POSITION	(81,008)
Net Position - Beginning	416,007
Net Position - Ending	$ 334,999

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Newport-Mesa Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades TK-12 as mandated by the state. 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.

B. Component Units

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. The District has no such component units.

C. Joint Ventures

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, the Irvine Unified School District, and the Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. The District does not include the Authority as a component unit, as the District is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the District. Complete separate financial statements can be obtained at the Newport-Mesa Unified School District, 2985 Bear Street, Costa Mesa, California.

D. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). 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 revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. 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 non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

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).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

County School Facilities Fund: This fund is established pursuant to *Education Code Section* 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board 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 et seq.).

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: 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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

Flexible Benefits Account: This fund exists to account separately for amounts held on behalf of employees.

E. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 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.

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments
Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets
The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings	50 Years
Portable classrooms and structures	25 Years
Equipment	5 to 15 Years
Vehicles	15 Years

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 – June 30, 2023

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts
In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

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

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) 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, 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.

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

H. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

K. New Accounting Pronouncements

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives 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. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New Accounting Pronouncements (continued)

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities	Fiduciary Fund
Investment in county treasury	$ 340,995,019	$ 20,529,219	$ 361,524,238	$ -
Fair value adjustment	(3,304,616)	(206,424)	(3,511,040)	-
Cash on hand and in banks	8,565,548	404,020	8,969,568	334,999
Cash with fiscal agent	2,900,000	50,000	2,950,000	-
Cash in revolving fund	150,000	-	150,000	-
Total	$ 349,305,951	$ 20,776,815	$ 370,082,766	$ 334,999

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Orange County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $358,013,198. The average weighted maturity for this pool is 225 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2023, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This 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. However, 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, the District's bank balance of $8,898,921 was exposed to custodial credit risk.

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 data if reasonable 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.

The District's fair value measurements at June 30, 2023 were as follows:

	Uncategorized
Investment in county treasury	$ 358,013,198
Total	$ 358,013,198

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities
Federal Government					
Categorical aid	$ 10,438,947	$ -	$ 1,354,293	$ -	$ 11,793,240
State Government					
Apportionment	933,772	-	-	-	933,772
Categorical aid	5,091,869	-	1,315,545	-	6,407,414
Lottery	1,053,202	-	-	-	1,053,202
Local Government					
Other local sources	1,795,780	112,941	389,204	63,203	2,361,128
Total	$ 19,313,570	$ 112,941	$ 3,059,042	$ 63,203	$ 22,548,756

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 21,548,963	$ -	$ -	$ 21,548,963
Construction in progress	35,700,877	5,984,849	103,119	41,582,607
Total capital assets not being depreciated	57,249,840	5,984,849	103,119	63,131,570
Capital assets being depreciated				
Land improvements	88,291,735	-	-	88,291,735
Buildings & improvements	510,222,741	81,382	-	510,304,123
Furniture & equipment	31,584,786	2,879,994	1,598,853	32,865,927
Total capital assets being depreciated	630,099,262	2,961,376	1,598,853	631,461,785
Less: Accumulated depreciation				
Land improvements	34,785,709	4,411,561	-	39,197,270
Buildings & improvements	303,939,688	19,659,282	-	323,598,970
Furniture & equipment	20,859,713	1,373,203	1,598,853	20,634,063
Total accumulated depreciation	359,585,110	25,444,046	1,598,853	383,430,303
Total capital assets being depreciated, net	270,514,152	(22,482,670)	-	248,031,482
Governmental Activities Capital Assets, net	$ 327,763,992	$ (16,497,821)	$ 103,119	$ 311,163,052

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2023 were as follows:

	Due From Other Funds			
Due To Other Funds	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 45,000,000	$ 426,181	$ 45,426,181
Non-Major Governmental Funds	2,179,565	-	136	2,179,701
Internal Service Fund	52,182	-	-	52,182
Total	$ 2,231,747	$ 45,000,000	$ 426,317	$ 47,658,064

The General Fund owed the Special Reserve Fund for Capital Outlay Projects for current and future construction commitments.	$ 45,000,000
The General Fund owed the Non-Major Child Development Fund for payroll corrections, postage and fuel charges.	1,110
The General Fund owed the Non-Major Cafeteria Fund for Campus Catering and the annual allocation for LCFF contribution from Fund 01 to Fund 13 based on the LCAP.	425,071
The Non-Major Child Development Fund owed the General Fund for indirect charges as well as health and welfare.	138,815
The Non-Major Child Development Fund owed the Non-Major Cafeteria Fund for postage and fuel charges.	136
The Non-Major Cafeteria Fund owed the General Fund for temporary interfund loans, accrued revenue, vehicle insurance, indirect charges, and health and welfare.	2,040,750
The Internal Service Fund owed the General Fund for cash with a fiscal agent and health and welfare.	52,182
Total	$ 47,658,064

B. Operating Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

	Interfund Transfers In		
Interfund Transfers Out	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ 45,000,000	$ 371,930	$ 45,371,930
Total	$ 45,000,000	$ 371,930	$ 45,371,930

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for current and future construction commitments.	$ 45,000,000
The General Fund transferred to the Non-Major Cafeteria Fund for annual allocation for LCFF contribution from Fund 01 to Fund 13 based on the LCAP.	371,930
Total	$ 45,371,930

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	District-Wide	Governmental Activities
Payroll	$ 4,740,870	$ -	$ 89,877	$ 3,641	$ -	$ 4,834,388
Construction	-	1,143,566	242,175	-	-	1,385,741
Vendors payable	19,587,704	-	873,678	214,477	-	20,675,859
Unmatured interest	-	-	-	-	1,236,750	1,236,750
Due to grantor government	3,169,484	-	-	-	-	3,169,484
Total	$ 27,498,058	$ 1,143,566	$ 1,205,730	$ 218,118	$ 1,236,750	$ 31,302,222

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	$ 1,029,133	$ -	$ 1,029,133
State categorical sources	1,458,844	1,719,188	3,178,032
Local sources	151,920	131,168	283,088
Total	$ 2,639,897	$ 1,850,356	$ 4,490,253

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 341,159,951	$ 8,724,053	$ 10,420,000	$ 339,464,004	$ 8,759,691
Unamortized premium	7,976,803	-	1,303,234	6,673,569	1,303,234
Total general obligation bonds	349,136,754	8,724,053	11,723,234	346,137,573	10,062,925
California energy commission loan	428,574	-	428,574	-	-
Financed purchases	28,574	-	11,934	16,640	9,176
Compensated absences	4,929,098	-	1,038,378	3,890,720	-
Total OPEB liability	117,524,574	8,372,335	-	125,896,909	-
Net pension liability	191,971,086	104,899,054	-	296,870,140	-
Total	$ 664,018,660	$ 121,995,442	$ 13,202,120	$ 772,811,982	$ 10,072,101

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for the California energy commission loan are made in the Special Reserve Fund for Capital Outlay Projects.
- Payments for financed purchases are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2022	Additions	Deductions	Bonds Outstanding June 30, 2023
Election 2005, Series 2007	January 1, 2007	August 1, 2031	3.30% - 4.50%	$ 70,443,480	$ 70,322,749	$ 1,457,227	$ 4,835,000	$ 66,944,976
Election 2005, Series 2011	June 8, 2011	August 1, 2046	3.60% - 7.30%	95,000,670	122,808,334	4,257,386	-	127,065,720
Refunding Series 2017	August 10, 2017	August 1, 2046	3.90% - 5.00%	80,546,666	92,673,868	3,009,440	-	95,683,308
Election 2005, Series 2017	August 10, 2017	August 1, 2039	2.00% - 5.00%	28,130,000	27,430,000	-	70,000	27,360,000
Election 2005, Series 2020	May 5, 2020	August 1, 2026	5.00%	32,960,000	27,925,000	-	5,515,000	22,410,000
					$ 341,159,951	$ 8,724,053	$ 10,420,000	$ 339,464,004

2005 General Obligation Bonds, Series 2007
In January 2007, the District issued $70,443,480 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2007. The bonds issued included $27,900,000 of current interest bonds and $42,543,480 of capital appreciation bonds, with the capital appreciation bonds accreting to $102,915,000. The bonds have a final maturity to occur on August 1, 2031, with interest yields of 3.3 to 4.5%. Proceeds from the sale of the bonds were used to finance specific construction and renovation projects approved by the voters and to pay costs of issuance on the bonds. At June 30, 2023, the principal balance outstanding was $66,944,976. Unamortized premium on issuance at June 30, 2023 was $223,726.

2005 General Obligation Bonds, Series 2011
In June 2011, the District issued $95,000,670 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2011. The bonds issued included $11,928,966 of convertible bonds and $83,071,704 of capital appreciation bonds. The bonds have final maturity dates through August 1, 2046, with interest rates ranging from 3.6 to 7.3%. The conversion value for the convertible bonds is $22,385,000 and total accretion on the capital appreciation bonds is $537,190,398. Proceeds from the sale of the bonds will be used to finance specific construction and renovation projects approved by the voters and to pay costs of issuance on the bonds. At June 30, 2023, the principal balance outstanding was $127,065,720. Unamortized premium at June 30, 2023 was $404,079.

2005 General Obligation Refunding Bonds, Series 2017
In August 2017, the District issued $80,564,666 of the Newport-Mesa Unified School District, 2005 General Obligation Refunding Bonds, Series 2017. The bonds issued included $17,580,000 of current interest bonds and $62,984,666 of capital appreciation bonds, with capital appreciation bonds accreting to $171,355,000. The bonds have a final maturity to occur on August 1, 2046, with interest rates ranging from 3.9 to 5.0%. Proceeds from sale of bonds will be used to refund a portion of the outstanding General Obligation Bonds, Election of 2005, Series 2011 and to refund all of the outstanding General Obligation Refunding Bonds, Election of 2000, Series 2012, and to pay costs of issuance of the Refunding Bonds. At June 30, 2023, the principal balance outstanding of the General Obligation Refunding Bonds, Series 2017 was $95,683,308 and unamortized premium on issuance and deferred charge on refunding were $3,291,079 and $9,749,011, respectively.

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

2005 General Obligation Bonds, Series 2017
In August 2017, the District issued $28,130,000 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2017. The bonds were issued as current interest bonds. The bonds have a final maturity date of August 1, 2039, with interest rates ranging from 2.0 to 5.0%. Proceeds from sale of bonds will be used to finance specific construction, repair, and improvement projects approved by the voter of the District held on November 8, 2005. At June 30, 2023, the principal balance outstanding of the 2005 General Obligation Bonds, Series 2017 was $27,360,000 and unamortized premium on issuance was $1,154,566.

2000 General Obligation Refunding Bonds, Series 2020
In May 2020, the District issued $32,960,000 of the Newport-Mesa Unified School District, 2000 General Obligation Refunding Bonds, Series 2020. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2026, with an interest rate of 5.0%. Proceeds from sale of bonds were used to refund, on a current basis, a portion of the outstanding General Obligation Refunding Bonds, Election of 2000, Series 2010, and to pay costs of issuance of the Refunding Bonds. At June 30, 2023, the principal balance outstanding of the General Obligation Refunding Bonds, Series 2020 was $22,410,000 and unamortized premium on issuance was $1,600,119.

The general obligation bonds mature through 2047 as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 8,759,691	$ 5,605,649	$ 14,365,340
2025	9,474,891	5,728,692	15,203,583
2026	10,206,195	6,123,447	16,329,642
2027	11,363,905	6,518,228	17,882,133
2028	11,988,751	7,534,018	19,522,769
2029 - 2033	44,252,453	45,801,339	90,053,792
2034 - 2038	35,311,364	41,611,665	76,923,029
2039 - 2043	49,573,187	105,612,537	155,185,724
2044 - 2047	36,886,413	70,663,587	107,550,000
Accretion	121,647,154	(121,647,154)	-
Total	$ 339,464,004	$ 173,552,008	$ 513,016,012

Debt service payments are made from property tax levy authorized by the voters.

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. California Energy Commission Loan

The District entered into a loan agreement with the California Energy Commission (CEC) during the 2014-2015 fiscal year to obtain a maximum loan of $3,000,000. The proceeds from the loan were used for the District's solar shade structure project and the agreement stipulated that the CEC would reimburse the District up to the maximum agreed-upon loan amount. The loan was offered with a zero percent interest rate and the District will commence repayment beginning the 2016-2017 fiscal year. The District will be making a total of 14 semi-annual installment payments in the amount of $214,286 until the obligation is fully paid. The District has made two separate draw-down requests to the CEC. Proceeds from the first draw-down request in the amount of $1,883,599 were received during the 2014-2015 fiscal year. Proceeds from the second draw-down request in the amount of $1,116,401 were received during the 2015-2016 fiscal year. As of June 30, 2023, the District had paid the loan in full.

C. Financed Purchases

The District has entered into an agreement to finance equipment. The agreement is, in substance, a purchase, and is reported as a finance purchase agreement obligation. At June 30, 2023, the principal balance outstanding was $16,640.

The remaining payment requirements for the finance purchase obligation debt as of June 30, 2023 are as follows:

Year Ended June 30,	Payment
2024	$ 9,176
2025	7,464
Total	$ 16,640

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2023 amounted to $3,890,720. This amount is included as part of long-term liabilities in the government-wide financial statements.

E. Other Postemployment Benefits

The District's beginning total OPEB liability was $117,524,574 and increased by $8,372,335 during the year ended June 30, 2023. The ending total OPEB liability at June 30, 2023 was $125,896,909. See Note 10 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was $191,971,086 and increased by $104,899,054 during the year ended June 30, 2023. The ending net pension liability at June 30, 2023 was $296,870,140. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2023:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 150,000	$ -	$ -	$ 150,000
Stores inventory	95,562	-	140,197	235,759
Prepaid expenditures	49,462	-	-	49,462
Total non-spendable	295,024	-	140,197	435,221
Restricted				
Educational programs	45,078,052	-	842,374	45,920,426
Food service	-	-	633,421	633,421
Associated student body	-	-	1,621,602	1,621,602
Capital projects	-	35,146	79,321,980	79,357,126
Debt service	-	-	14,726,358	14,726,358
Total restricted	45,078,052	35,146	97,145,735	142,258,933
Assigned				
Postemployment benefits	3,892,413	-	-	3,892,413
Stabilization	39,189,176	-	-	39,189,176
Other assignments	51,501,651	-	-	51,501,651
Capital projects	-	80,125,403	-	80,125,403
Total assigned	94,583,240	80,125,403	-	174,708,643
Unassigned	20,392,900	-	-	20,392,900
Total Fund Balance	$ 160,349,216	$ 80,160,549	$ 97,285,932	$ 337,795,697

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The Newport-Mesa Unified School District provides a single employer defined benefit other postemployment benefit (OPEB) plan as described below. Additionally, the California State Teachers' Retirement System (CalSTRS) administers a cost-sharing multiple-employer OPEB plan, the Medicare Premium Payment (MPP) Program, as described below. The District reported its total OPEB liability and its' proportionate share of the total OPEB liabilities related to the MPP Program, OPEB expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Total OPEB liability	Deferred outflows related to OPEB	Deferred inflows related to OPEB	OPEB expense
District OPEB Plan	$ 125,091,331	$ 19,928,864	$ 6,745,973	$ 9,108,370
MPP Program	805,578	-	451,976	(245,161)
Total	$ 125,896,909	$ 19,928,864	$ 7,197,949	$ 8,863,209

1. District OPEB Pan

A. Plan Description

The Newport-Mesa Unified School District's defined benefit OPEB plan, Newport-Mesa Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

Employees who retire from the District are eligible for post-employment medical, dental, vision, and life insurance benefits through the District's insurance program pursuant to the provisions below.

Certificated Eligibility:	
	- Retire from active service.
	- 55 years old with 10 years of consecutive service. OR
	- 50 to 55 years old with a minimum of 30 years of service in California and 10 years of consecutive length of service with the District.
Classified Eligibility:	
	- Retire from active service.
	- 55 years old with 10 years of consecutive service. OR
	- 62 to 65 years old with a minimum of 10 years of non-consecutive service with the District.
	- 50 years old working 7 or more hours per day with 30 years of District service.
Dependent Eligibility:	Yes
Survivor Eligibility:	Yes, survivors receive coverage for one year after the death of a retiree.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

1. District OPEB Plan (continued)

B. Benefits Provided (continued)

Benefits:	All Employees
	- Retirees meeting the above eligibility conditions are offered a subsidy for medical, dental, and vision coverage for themselves and their dependents.
	- All retirees are eligible for $10,000 of life insurance coverage until age 65.
	- Part-time employee's subsidy is pro-rated based on scheduled hours worked.
	- Benefits cease at age 65.
	- Retirees may elect district offered medical and dental coverage after reaching age 65; however, the entire cost of such coverage is the responsibility of the retiree. Post-65 medical benefits are offered through a Medicare Advantage plan.

C. Contributions

For the measurement period, the District contributed $4,691,986 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	108
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	2,263
Total number of participants**	2,371

*Information not provided

**As of the July 1, 2022 valuation date

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

1. District OPEB Plan (continued)

E. Total OPEB Liability

The Newport-Mesa Unified School District's total OPEB liability of $125,091,331 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of July 1, 2022 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Salary increases	2.75%
Discount rate	4.13%
Healthcare cost trend rates	7.00% for 22-23, grading down to an ultimate 4.14% for fiscal year 75-76

Non-economic assumptions:

Mortality:

CalSTRS mortality rates are from the 2020 experience study and the CalPERS mortality rates are from the 2021 experience study.

Retirement rates:

CalSTRS retirement rates are from the 2020 experience study and the CalPERS retirement rates are from the 2021 experience study.

Termination rates:

CalSTRS termination rates are from the 2020 experience study and the CalPERS termination rates are from the 2021 experience study.

The actuarial assumptions used in the July 1, 2022 valuation were based on a review of plan experience. The discount rate was developed using 20 year municipal bond yield. The S&P Municipal Bond 20 Year High Grade Rate Index was used for this purpose.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

1. District OPEB Plan (continued)

G. Changes in Total OPEB Liability

	June 30, 2023
Total OPEB Liability	
Service cost	$ 6,311,216
Interest on total OPEB liability	4,908,433
Changes of assumptions	2,541,809
Benefits payments	(4,691,986)
Net change in total OPEB liability	9,069,472
Total OPEB liability - beginning	116,021,859
Total OPEB liability - ending	$ 125,091,331
Covered-employee payroll	N/A*
District's total OPEB liability as a percentage of covered-employee payroll	N/A*

The OPEB Plan is not administered through a trust and contributions are not made based on measure of pay, covered-employee payroll is not presented.

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

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

	1% Decrease (3.13%)	Valuation Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB liability	$ 131,551,867	$ 125,091,331	$ 113,051,458

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease (6.00%)	Valuation Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	$ 108,634,153	$ 125,091,331	$ 137,701,422

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

1. District OPEB Plan (continued)

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

For the year ended June 30, 2023, the Newport-Mesa Unified School District recognized OPEB expense of $9,108,370. At June 30, 2023, the Newport-Mesa Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 45,232	$ -
Differences between expected and actual experience	8,381,886	-
Changes in assumptions	11,501,746	6,745,973
Total	$ 19,928,864	$ 6,745,973

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

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	$ (2,038,454)
2025	(2,038,454)
2026	(2,120,261)
2027	(2,324,836)
2028	(1,759,409)
Thereafter	(2,901,477)
Total	$ (13,182,891)

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

2. MPP Program

A. Plan Description and Contribution Information

The California State Teachers' Retirement System (CalSTRS) administers a hybrid retirement system consisting of a defined benefit plan, two defined contribution plans, a postemployment benefit plan and a fund used to account for ancillary activities associated with various deferred compensation plans and programs. The postemployment benefit plan component is the Medicare Premium Payment (MPP) Program. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

As of June 30, 2022, 4,770 retirees participated in the MPP Program. 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 California Education Code section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

The parameters for employer contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established with the enactment of AB 1469 in 2014 (the CalSTRS Funding Plan)

B. Net OPEB Liability

The District's net MPP Program OPEB liability of $805,578 was measured as of June 30, 2022 by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the MPP Program relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2023, the District's proportion was 0.245 percent.

C. Actuarial Assumptions and Other Inputs

The June 30, 2023 net OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022 using the assumptions listed in the following table:

	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Medicare Part A Premium Costs Trend Rate[1]	4.50%
Medicare Part B Premium Costs Trend Rate[1]	5.40%

[1] Trend rates indicate medical inflation in the specific year and therefore affect the premiums for the following year. For example, the projected 2022-2023 premium is the 2021-2022 premium increased by the assumed 2021-2022 trend rate.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

2. MPP Program

C. Actuarial Assumptions and Other Inputs (continued)

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the member's age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program.

For the valuation as of June 30, 2021, CalSTRS changed the mortality assumptions based on the July 1, 2015, through June 30, 2018, experience study. CalSTRS now 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 the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's 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:

	1% Decrease (2.54%)	Valuation Discount Rate (3.54%)	1% Increase (4.54%)
Net OPEB liability	$ 878,234	$ 805,578	$ 742,666

E. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease (3.50% Part A and 4.40% Part B)	Valuation Trend Rate (4.50% Part A and 5.40% Part B)	1% Increase (5.50% Part A and 6.40% Part B)
Net OPEB liability	$ 739,147	$ 805,578	$ 880,880

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

2. MPP Program

F. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of $(245,161). At June 30, 2023, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 427
Changes in proportion and differences between District contributions and proportionate share of contributions	451,549
	$ 451,976

Amounts reported as deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2024	$ 75,448
2025	75,392
2026	75,328
2027	75,292
2028	75,258
2029	75,258
	$ 451,976

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 169,928,562	$ 59,845,461	$ 24,992,145	$ (4,466,991)
PERS Pension	126,941,578	40,977,306	7,309,190	14,399,059
Total	$ 296,870,140	$ 100,822,767	$ 32,301,335	$ 9,932,068

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2023, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $29,142,016 for the year ended June 30, 2023.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $13,631,723 to CalSTRS.

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

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

District's proportionate share of the net pension liability	$	169,928,562
State's proportionate share of the net pension liability associated with the District		85,100,722
Total	$	255,029,284

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.245 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2021.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of $(4,466,991). In addition, the District recognized pension expense and revenue of $(6,364,857) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 8,307,390
Differences between expected and actual experience	139,394	12,741,096
Changes in assumptions	8,427,220	-
Changes in proportion and differences between District contributions and proportionate share of contributions	22,136,831	3,943,659
District contributions subsequent to the measurement date	29,142,016	-
Total	$ 59,845,461	$ 24,992,145

The $29,142,016 reported as 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 year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 11,763,523	$ 9,749,779
2025	4,634,868	10,260,890
2026	4,634,868	13,155,285
2027	4,634,865	(12,254,441)
2028	2,708,682	1,765,657
2029	2,326,639	2,314,975
Total	$ 30,703,445	$ 24,992,145

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

NOTE 11 – 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 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan'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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 288,601,725	$ 169,928,562	$ 71,394,158

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2023 was 25.37% of annual payroll. Contributions to the plan from the District were $15,772,321 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $126,941,578 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.369 percent, which was a decrease of 0.014 percent from its proportion measured as of June 30, 2021.

NOTE 11 – 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)

For the year ended June 30, 2023, the District recognized pension expense of $14,399,059. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 14,988,348	$ -
Differences between expected and actual experience	573,701	3,158,469
Changes in assumptions	9,390,416	-
Changes in proportion and differences between District contributions and proportionate share of contributions	252,520	4,150,721
District contributions subsequent to the measurement date	15,772,321	-
Total	$ 40,977,306	$ 7,309,190

The $15,772,321 reported as 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 year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 6,441,907	$ 3,110,391
2025	5,576,998	2,237,818
2026	4,046,713	1,960,981
2027	9,139,367	-
Total	$ 25,204,985	$ 7,309,190

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)
The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.45%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	100.0%	

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate
The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 183,373,537	$ 126,941,578	$ 80,302,638

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority public entity risk pool for the property and liability coverage. Refer to Note 15 for additional information regarding the JPAs. The Workers' Compensation Program, for which the District retains risk of loss, is administered by the Internal Service Fund. Excess workers' compensation coverage is obtained through the purchase of commercial insurance.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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. Unpaid claims and claims adjustment expenses were discounted at 2.5% and presented at their net present value. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2021 to June 30, 2023:

	Workers' Compensation
Liability Balance, July 01, 2021	$ 12,107,050
Claims & changes in estimates	127,295
Claims payments	(2,187,370)
Liability Balance, July 01, 2022	10,046,975
Claims & changes in estimates	2,425,202
Claims payments	(2,389,581)
Liability Balance, June 30, 2023	$ 10,082,596
Assets available to pay claims at June 30, 2023	$ 20,840,018

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects, as follows:

	Remaining Construction Commitment
Capital Projects	
Transportation upgrades (CNG)	$ 950,000
Security cameras	189,016
California (office, fencing)	90,039
Davis (office, fencing)	83,734
BB/MV (office, fencing)	99,337
TeWinkle (parking lot/traffic study)	37,200
TeWinkle (fencing)	130,608
CDMHS (aquatics)	1,200,000
CMHS (fencing/ROW)	169,759
EHS (parking lot replacement)	150,000
Total	$ 3,099,693

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority public entity risk pool, the Bonita Canyon Public Facilities Financing Authority (BCPFFA), and the Coastline Regional Occupational Program (CROP) Joint Power Authority. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2023, the deferred amount on refunding was $9,749,011.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2023, total deferred outflows related to pensions was $100,822,767 and total deferred inflows related to pensions was $32,301,335.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2023, total deferred outflows related to other postemployment benefits was $19,928,864 and total deferred inflows related to other postemployment benefits was $7,197,949.

REQUIRED SUPPLEMENTARY INFORMATION

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 332,834,320	$ 346,090,380	$ 342,272,606	$ (3,817,774)
Federal sources	33,747,430	33,963,172	29,246,421	(4,716,751)
Other state sources	54,466,604	64,951,996	69,580,694	4,628,698
Other local sources	8,449,488	11,695,009	17,499,053	5,804,044
Total Revenues	429,497,842	456,700,557	458,598,774	1,898,217
EXPENDITURES				
Certificated salaries	157,068,220	158,499,175	156,581,378	1,917,797
Classified salaries	65,615,581	66,352,560	62,810,852	3,541,708
Employee benefits	100,421,764	104,857,917	114,008,790	(9,150,873)
Books and supplies	19,979,580	23,557,727	14,406,595	9,151,132
Services and other operating expenditures	57,331,716	63,835,035	51,808,607	12,026,428
Capital outlay	8,061,329	8,247,011	5,275,445	2,971,566
Other outgo				
Excluding transfers of indirect costs	3,884,800	3,577,950	3,598,271	(20,321)
Transfers of indirect costs	(816,906)	(852,563)	(689,315)	(163,248)
Total Expenditures	411,546,084	428,074,812	407,800,623	20,274,189
Excess (Deficiency) of Revenues Over Expenditures	17,951,758	28,625,745	50,798,151	22,172,406
Other Financing Sources (Uses)				
Transfers in	-	-	19,494,876	19,494,876
Transfers out	(19,615,021)	(9,728,440)	(45,371,930)	(35,643,490)
Net Financing Sources (Uses)	(19,615,021)	(9,728,440)	(25,877,054)	(16,148,614)
NET CHANGE IN FUND BALANCE	(1,663,263)	18,897,305	24,921,097	6,023,792
Fund Balance - Beginning	100,174,783	84,317,620	84,273,161	(44,459)
Fund Balance - Ending	$ 98,511,520	$ 103,214,925	$ 109,194,258	$ 5,979,333

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- The amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, the Special Reserve Fund for Postemployment Benefits, and the Retiree Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Revenues for Medi-Cal Administrative Activities are presented as federal revenues in this schedule, while these amounts have been reclassified as local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- Audit adjustments and reclassifications are not included in this schedule.

See accompanying notes to required supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – DISTRICT OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability						
Service cost	$ 6,311,216	$ 7,810,304	$ 7,486,306	$ 6,197,752	$ 6,232,910	$ 6,356,417
Interest on total OPEB liability	4,908,433	2,952,300	3,326,097	3,543,001	3,586,629	3,556,064
Difference between expected and actual experience	-	(4,810,599)	-	(8,947,739)	-	-
Changes of assumptions	2,541,809	(14,830,760)	4,302,440	907,004	1,815,674	1,390,692
Benefits payments	(4,691,986)	(5,402,286)	(4,702,901)	(5,165,629)	(4,769,780)	(4,104,142)
Net change in total OPEB liability	9,069,472	(14,281,041)	10,411,942	(3,465,611)	6,865,433	7,199,031
Total OPEB liability - beginning	116,021,859	130,302,900	119,890,958	123,356,569	116,491,136	109,292,105
Total OPEB liability - ending	$ 125,091,331	$ 116,021,859	$ 130,302,900	$ 119,890,958	$ 123,356,569	$ 116,491,136
Covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
District's total OPEB liability as a percentage of covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

*The OPEB Plan is not administered through a trust and contributions are not made based on measure of pay, covered-employee payroll is not presented.

See accompanying notes to required supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the collective net MPP District OPEB liability	0.245%	0.377%	0.366%	0.424%	0.418%	0.406%
District's proportionate share of the collective net MPP Program OPEB liability	$ 805,578	$ 1,502,715	$ 1,784,179	$ 1,579,297	$ 1,599,064	$ 1,709,512
District's covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
District's proportionate share of the collective net MPP Program OPEB liability as a percentage of its covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
MPP Program fiduciary net position as a percentage of the net OPEB liability	(0.940%)	(0.800%)	(0.710%)	(0.810%)	(0.400%)	0.010%

* Not applicable - The MPP Program is closed to new entrants. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

See accompanying notes to required supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.245%	0.251%	0.242%	0.240%	0.233%	0.224%	0.233%	0.244%	0.234%
District's proportionate share of the net pension liability	$ 169,928,562	$ 114,060,105	$ 234,150,468	$ 216,516,683	$ 213,913,594	$ 207,523,362	$ 188,647,018	$ 164,342,374	$ 136,898,547
State's proportionate share of the net pension liability associated with the District	85,100,722	57,390,621	120,704,594	118,124,305	122,475,537	122,769,068	107,393,382	86,918,999	82,665,253
Total	$ 255,029,284	$ 171,450,726	$ 354,855,062	$ 334,640,988	$ 336,389,131	$ 330,292,430	$ 296,040,400	$ 251,261,373	$ 219,563,800
District's covered payroll	$ 143,289,243	$ 136,200,836	$ 132,458,649	$ 128,783,943	$ 121,916,154	$ 117,960,676	$ 114,596,766	$ 115,079,583	$ 103,627,675
District's proportionate share of the net pension liability as a percentage of its covered payroll	118.6%	83.7%	176.8%	168.1%	175.5%	175.9%	164.6%	142.8%	132.1%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.369%	0.383%	0.381%	0.380%	0.384%	0.379%	0.393%	0.407%	0.394%
District's proportionate share of the net pension liability	$ 126,941,578	$ 77,910,981	$ 116,943,653	$ 110,594,096	$ 102,500,194	$ 90,460,321	$ 77,584,002	$ 59,973,861	$ 44,688,601
District's covered payroll	$ 54,429,258	$ 54,970,734	$ 54,932,965	$ 51,595,549	$ 49,724,396	$ 48,105,184	$ 47,007,715	$ 45,250,752	$ 40,062,362
District's proportionate share of the net pension liability as a percentage of its covered payroll	233.2%	141.7%	212.9%	214.3%	206.1%	188.0%	165.0%	132.5%	111.5%
Plan fiduciary net position as a percentage of the total pension liability	69.8%	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 29,142,016	$ 24,244,540	$ 21,996,435	$ 22,650,429	$ 20,966,026	$ 17,592,501	$ 14,839,453	$ 12,296,233	$ 10,219,067
Contributions in relation to the contractually required contribution*	(29,142,016)	(24,244,540)	(21,996,435)	(22,650,429)	(20,966,026)	(17,592,501)	(14,839,453)	(12,296,233)	(10,219,067)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 152,576,000	$ 143,289,243	$ 136,200,836	$ 132,458,649	$ 128,783,943	$ 121,916,154	$ 117,960,676	$ 114,596,766	$ 115,079,583
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 15,772,321	$ 12,469,743	$ 11,378,942	$ 10,833,330	$ 9,319,188	$ 7,722,696	$ 6,680,848	$ 5,569,004	$ 5,326,466
Contributions in relation to the contractually required contribution*	(15,772,321)	(12,469,743)	(11,378,942)	(10,833,330)	(9,319,188)	(7,722,696)	(6,680,848)	(5,569,004)	(5,326,466)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 62,189,180	$ 54,429,258	$ 54,970,734	$ 54,932,965	$ 51,595,549	$ 49,724,396	$ 48,105,184	$ 47,007,715	$ 45,250,752
Contributions as a percentage of covered payroll	25.36%	22.91%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios – District OPEB Plan
This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms
There were no changes in benefit terms since the previous valuation.

Changes in Assumptions
The discount rate changed from 4.09% to 4.13% since the previous valuation.

Schedule of Changes in Net OPEB Liability and Related Ratios – MPP Program
This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the net OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms
There were no changes in benefit terms since the previous valuation.

Changes in Assumptions
The discount rate changed from 2.16% to 3.54% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms
There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions
There were no changes in economic assumptions since the previous valuations for CalSTRS. The discount rate changed from 7.15% to 6.90% and the inflation rate changed from 2.50% to 2.30% since the previous measurement for CalPERS.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	$ 104,857,917	$ 114,008,790	$ 9,150,873
Other outgo			
Excluding transfers of indirect costs	$ 3,577,950	$ 3,598,271	$ 20,321
Transfers of indirect costs	$ (852,563)	$ (689,315)	$ 163,248

SUPPLEMENTARY INFORMATION

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 3,430,547
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	622,500
Title III, English Learner Student Program	84.365	14346	370,138
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	255,226
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,824,346
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	175,791
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	813,848
ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	53,290
ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	67,866
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	224,463
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	67,990
Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	2,067
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	781
Subtotal Special Education Cluster			5,230,442
IDEA Early Intervention Grants, Part C	84.181	23761	53,202
Workability II, Transitions Partnership Program	84.126	10006	446,137
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	146,146
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	2,834,950
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	9,976,615
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	3,868,265
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	1,153,025
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	441,858
Subtotal Education Stabilization Fund Discretionary Grants			18,274,713
Total U. S. Department of Education			28,829,051
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	107,633
School Breakfast Program - Needy	10.553	13526	828,545
National School Lunch Program	10.555	13391	4,107,433
Meal Supplements	10.555	*	156,025
USDA Commodities	10.555	*	495,098
Supply Chain Assistance (SCA) Funds	10.555	15655	491,231
Subtotal Child Nutrition Cluster			6,185,965
NSLP Equipment Assistance Grants	10.579	14906	88,419
Total U. S. Department of Agriculture			6,274,384
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Education:			
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	93.575	15555	99,225
Total U. S. Department of Health & Human Services			99,225
Total Federal Expenditures			$ 35,202,660

* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2023

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	4,565.18	4,597.54
Extended Year Special Education	7.18	7.18
Special Education - Nonpublic Schools	0.63	0.63
Extended Year Special Education - Nonpublic Schools	0.24	0.24
Total TK/K through Third	4,573.23	4,605.59
Fourth through Sixth		
Regular ADA	3,505.47	3,517.91
Extended Year Special Education	3.05	3.05
Special Education - Nonpublic Schools	1.47	2.25
Extended Year Special Education - Nonpublic Schools	0.13	0.13
Total Fourth through Sixth	3,510.12	3,523.34
Seventh through Eighth		
Regular ADA	2,458.80	2,458.94
Extended Year Special Education	0.63	0.63
Special Education - Nonpublic Schools	1.64	2.51
Extended Year Special Education - Nonpublic Schools	0.32	0.32
Total Seventh through Eighth	2,461.39	2,462.40
Ninth through Twelfth		
Regular ADA	5,969.64	5,956.34
Extended Year Special Education	3.53	3.53
Special Education - Nonpublic Schools	8.60	10.68
Extended Year Special Education - Nonpublic Schools	1.70	1.70
Total Ninth through Twelfth	5,983.47	5,972.25
TOTAL SCHOOL DISTRICT	16,528.21	16,563.58

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023

Grade Level	Minutes Requirement	2022-23 Actual Minutes	Number of Days	Status
Kindergarten	36,000	53,574	180	Complied
Grade 1	50,400	53,544	180	Complied
Grade 2	50,400	53,544	180	Complied
Grade 3	50,400	53,574	180	Complied
Grade 4	54,000	56,285	180	Complied
Grade 5	54,000	56,285	180	Complied
Grade 6	54,000	56,285	180	Complied
Grade 7	54,000	60,030	180	Complied
Grade 8	54,000	60,030	180	Complied
Grade 9	64,800	65,635	180	Complied
Grade 10	64,800	65,635	180	Complied
Grade 11	64,800	65,635	180	Complied
Grade 12	64,800	65,635	180	Complied

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

	2024 (Budget)	2023	2022	2021
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 434,632,021	$ 478,093,650	$ 412,493,190	$ 369,802,248
Expenditures And Other Financing Uses	448,924,798	453,172,553	397,614,219	355,135,443
Net change in Fund Balance	$ (14,292,777)	$ 24,921,097	$ 14,878,971	$ 14,666,805
Ending Fund Balance	$ 94,901,481	$ 109,194,258	$ 84,317,620	$ 69,438,649
Available Reserves*	$ 20,201,500	$ 20,392,900	$ 17,892,500	$ 15,977,000
Available Reserves As A Percentage Of Outgo	4.50%	4.50%	4.50%	4.50%
Long-term Liabilities	$ 762,739,881	$ 772,811,982	$ 674,065,635	$ 848,693,733
Average Daily Attendance At P-2***	15,969	16,528	16,498	19,215

The General Fund ending fund balance has increased by $39,755,609 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of $14,292,777. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have decreased by $75,881,751 over the past two years.

Average daily attendance has decreased by 2,687 ADA over the past two years. An additional decline of 559 ADA is anticipated during the 2023-24 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**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 Projects, the Special Reserve Fund for Postemployment Benefits, and the Retiree Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54. Audit adjustments are not included in this schedule.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve for Post-Employment Benefits Fund
June 30, 2023, annual financial and budget report fund balance	$ 109,194,258	$ 39,189,176	$ 928,009
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Increase in accounts receivable	4,903,885	-	-
Decrease in accounts payable	3,169,484	-	-
Fund balance transfer (GASB 54)	43,081,589	(39,189,176)	(928,009)
Net adjustments and reclassifications	51,154,958	(39,189,176)	(928,009)
June 30, 2023, audited financial statement fund balance	$ 160,349,216	$ -	$ -

	Retiree Benefit Fund
June 30, 2023, annual financial and budget report net position	$ 2,964,404
Adjustments and reclassifications:	
Increase (decrease) in total net position:	
Net position transfer (GASB 54)	(2,964,404)
Net adjustments and reclassifications	(2,964,404)
June 30, 2023, audited financial statement net position	$ -

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2023

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	$ 1,621,602	$ 2,389,384	$ 979,471	$ 27,130,095	$ 11,361,112	$ 40,759,472	$ 14,650,630	$ 98,891,766
Accounts receivable	-	614,656	2,055,182	84,159	113,427	115,890	75,728	3,059,042
Due from other funds	-	1,110	425,207	-	-	-	-	426,317
Stores inventory	-	-	144,594	-	-	-	-	144,594
Total Assets	$ 1,621,602	$ 3,005,150	$ 3,604,454	$ 27,214,254	$ 11,474,539	$ 40,875,362	$ 14,726,358	$ 102,521,719
LIABILITIES								
Accrued liabilities	$ -	$ 304,637	$ 658,918	$ 184,148	$ 58,027	$ -	$ -	$ 1,205,730
Due to other funds	-	138,951	2,040,750	-	-	-	-	2,179,701
Unearned revenue	-	1,719,188	131,168	-	-	-	-	1,850,356
Total Liabilities	-	2,162,776	2,830,836	184,148	58,027	-	-	5,235,787
FUND BALANCES								
Non-spendable	-	-	140,197	-	-	-	-	140,197
Restricted	1,621,602	842,374	633,421	27,030,106	11,416,512	40,875,362	14,726,358	97,145,735
Total Fund Balances	1,621,602	842,374	773,618	27,030,106	11,416,512	40,875,362	14,726,358	97,285,932
Total Liabilities and Fund Balances	$ 1,621,602	$ 3,005,150	$ 3,604,454	$ 27,214,254	$ 11,474,539	$ 40,875,362	$ 14,726,358	$ 102,521,719

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	$ -	$ -	$ 6,331,527	$ -	$ -	$ -	$ -	$ 6,331,527
Other state sources	-	3,904,371	4,343,332	-	-	8,555,497	29,924	16,833,124
Other local sources	4,592,989	103,857	34,806	844,523	1,051,488	939,803	16,509,236	24,076,702
Total Revenues	4,592,989	4,008,228	10,709,665	844,523	1,051,488	9,495,300	16,539,160	47,241,353
EXPENDITURES								
Current								
Instruction	-	3,108,462	-	-	-	-	-	3,108,462
Instruction-related services								
Instructional supervision and administration	-	363,734	-	-	-	-	-	363,734
School site administration	-	162,621	-	-	-	-	-	162,621
Pupil services								
Food services	-	-	10,664,701	-	-	-	-	10,664,701
General administration								
All other general administration	-	362,348	326,967	-	-	-	-	689,315
Plant services	-	25,145	-	-	-	-	-	25,145
Facilities acquisition and construction	-	-	-	1,428,290	752,900	-	-	2,181,190
Ancillary services	4,487,330	-	-	-	-	-	-	4,487,330
Debt service								
Principal	-	-	-	-	-	-	8,028,512	8,028,512
Interest and other	-	-	-	-	4,798	-	6,908,518	6,913,316
Total Expenditures	4,487,330	4,022,310	10,991,668	1,428,290	757,698	-	14,937,030	36,624,326
Excess (Deficiency) of Revenues Over Expenditures	105,659	(14,082)	(282,003)	(583,767)	293,790	9,495,300	1,602,130	10,617,027
Other Financing Sources (Uses)								
Transfers in	-	-	371,930	-	-	-	-	371,930
Net Financing Sources (Uses)	-	-	371,930	-	-	-	-	371,930
NET CHANGE IN FUND BALANCE	105,659	(14,082)	89,927	(583,767)	293,790	9,495,300	1,602,130	10,988,957
Fund Balance - Beginning	1,515,943	856,456	683,691	27,613,873	11,122,722	31,380,062	13,124,228	86,296,975
Fund Balance - Ending	$ 1,621,602	$ 842,374	$ 773,618	$ 27,030,106	$ 11,416,512	$ 40,875,362	$ 14,726,358	$ 97,285,932

See accompanying notes to supplementary information.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023

The Newport-Mesa Unified School District was established in 1966 and covers both the Newport and Costa Mesa areas of Orange County. The District operates 22 elementary schools, two middle schools, two 7-12 grade schools, two comprehensive high schools, one early college high school, two alternative education schools including both continuation and independent study, and one adult education school. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
Ashley Anderson	President	2026
Carol Crane	Vice President	2024
Krista Weigand	Clerk	2024
Leah Ersoylu	Member	2024
Michelle Murphy	Member	2026
Lisa Pearson	Member	2026
Michelle Barto	Member	2026

DISTRICT ADMINISTRATORS

Dr. Wesley Smith
Superintendent

John C. Drake
Assistant Superintendent, Elementary Education

Kerrie Torres
Assistant Superintendent, Secondary Education

Socorro Shiels
Assistant Superintendent, Achievement, Innovation, and Continuous Improvement

Jeff Trader
Assistant Superintendent, Chief Business Official

Leona Olson
Assistant Superintendent, Chief Human Resources Officer

Dr. Sara Jocham
Assistant Superintendent, Student Support Services/SELPA

See accompanying notes to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, 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 in a prior year that have been expended by June 30, 2023 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2023.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 35,248,996
Supply Chain Assistance (SCA) Funds	10.555	(145,561)
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	93.575	99,225
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$35,202,660

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of 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.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds
These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure
This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

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*

Independent Auditors' Report

Governing Board
Newport-Mesa Unified School District
Costa Mesa, 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 Newport-Mesa Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Newport-Mesa Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newport-Mesa 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 Newport-Mesa Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newport-Mesa 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newport-Mesa Unified School District's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
December 13, 2023

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

Independent Auditors' Report

Governing Board
Newport-Mesa Unified School District
Costa Mesa, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Newport-Mesa Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Newport-Mesa Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Newport-Mesa Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Newport-Mesa Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

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



San Diego, California
December 13, 2023

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
Newport-Mesa Unified School District
Costa Mesa, California

Report on State Compliance

Opinion on State Compliance

We have audited Newport-Mesa Unified School District's compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Newport-Mesa Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2023.

In our opinion, Newport-Mesa Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2023.

Basis for Opinion on State Compliance

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Newport-Mesa Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Newport-Mesa Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Newport-Mesa Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Newport-Mesa Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

Auditor's Responsibilities for the Audit of State Compliance (continued)

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

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 13, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

AL Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
84.425, 84.425U	Education Stabilization Fund Discretionary Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,056,080
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with *2022-23 Guide for Annual Audits of California K-12 Local Education Agencies* ?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2023.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2023.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
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 state award findings or questioned costs for the year ended June 30, 2023.

NEWPORT-MESA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

FINDING #2022-001: EDUCATION STABILIZATION FUND REPORTING (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 50000

Criteria: Local education agencies must comply with all reporting requirements that the Department of Education may reasonably require. Section 15011 of Division B of the Coronavirus Aid, Relief, and Economic Security (CARES) Act requires that a grantee submit quarterly reports. ESSER Funds awarded under the American Rescue Plan (ARP) Act of 2021 are subject to the same quarterly reporting requirements.

Condition: The District did not properly prepare the quarterly reports for the Elementary and Secondary School Emergency Relief Fund III (ESSER III): Learning Loss program.

Questioned Costs: There are no questioned costs associated with the condition identified.

Context: The condition was identified through review of a sample of the quarterly reports prepared for the program. In a sample of 11 quarterly reports, it was noted that one report did not accurately report the expenditures incurred for that quarter.

Cause: It appears that the condition has materialized due to an anticipated year-end closing entry to transfer expenditures into the program not being posted.

Effect: The District overreported expenditures for ARP ESSER funds and, as such, is not in compliance with the reporting requirements for the program.

Recommendation: The District should implement a review process to ensure that the information reported in the quarterly reports is accurate.

District Response: The District reported what was believed to be transferred into the program by the close of the fiscal year. Unfortunately, those expenses were not moved as the books were closed long after the reporting deadline. The report was adjusted with the CDE at the following reporting period and now reflect the correct expenditures. In the future, all related year-end transfers will be prioritized and completed prior to the reporting deadlines to ensure that they match.

Current Status: Implemented.

FINDING #2022-002: ATTENDANCE AND INDEPENDENT STUDY (MATERIAL WEAKNESS, NONCOMPLIANCE) – 10000 & 40000

Criteria: California Education Code Section 51749.6, states that a local education agency shall not be eligible to receive apportionment for independent study by pupils, unless it has provided each pupil with a written learning agreement that contains all the required elements identified in California Education Code Section 51749.6.

FINDING #2022-002: ATTENDANCE AND INDEPENDENT STUDY (MATERIAL WEAKNESS, NONCOMPLIANCE) – 10000 & 40000 (continued)

Condition: While the District has developed written learning agreements to be provided to each pupil enrolled in independent study, during our audit of the independent study site, Cloud Campus, we noted that out of our sample of 20 elementary and 20 secondary students selected for testing, 2 elementary and 5 secondary students did not have signed written learning agreements on file. After a full evaluation of all students enrolled at Cloud Campus, the District identified a total of 83.57 and 79.99 ADA at P2 and Annual, respectively that was attributed to students who did not have a signed learning agreement on file. Using the derived value of ADA, the calculated penalty at P2 by grade span is as follows:

Grade Span	Unallowable ADA	Derived Value of ADA by Grade Span	Penalty
TK-3	20.74	$ 9,740.58	$ 202,019.63
4-6	14.82	8,955.66	132,722.88
7-8	16.38	9,220.57	151,032.94
9-12	31.63	10,963.74	346,783.10
Total	83.57	$ 38,880.55	$ 832,558.54

Questioned Costs: There is no questioned cost associated with this condition. After a full evaluation of all students attending Cloud Campus, the District calculated a total of 83.57 ADA at P2 and 79.99 ADA at Annual of overclaimed ADA related to students who did not have a written learning agreement on file, which calculates as $832,558.54 in potential reduced Local Control Funding Formula using the CDE's LCFF Derived Value of ADA by Grade Span. However, the District is community funded (property tax funded) and thus this negates the fiscal impact.

Context: During our testing of the independent study site – Cloud Campus, we selected a sample of 20 elementary pupils and 20 secondary pupils to determine if written learning agreements were provided to each pupil enrolled in the program. We identified 2 elementary and 5 secondary pupils who did not have completed written learning agreements on file. As a result, the District evaluated the remaining population of students enrolled in Cloud Campus to determine how many students in total did not have written learning agreements on file. The District then calculated the ADA claimed for the identified students. This resulted in a total of 83.57 ADA at P2 and 79.99 ADA at Annual that was overclaimed.

Cause: The cause of the condition identified appears to be a result of the District's inability to fully collect all signed written learning agreements from families within the first 30 days of enrollment in the program.

Effect: As noted above, the effect of the condition identified was overclaimed ADA of 83.57 and 79.99 at P2 and Annual, respectively. This resulted in a calculated penalty of $832,558.54, but is negated by the fact that the District is community funded.

Recommendation: The District should ensure that completed written learning agreements are on file for all students enrolled in an independent study program. If the District is unable to obtain completed written learning agreements, the District should exclude ADA from their P2 and Annual attendance reports for any student in which a written learning agreement is not on file.

FINDING #2022-002: ATTENDANCE AND INDEPENDENT STUDY (MATERIAL WEAKNESS, NONCOMPLIANCE) – 10000 & 40000 (continued)

District Response: The virtual Cloud Campus was founded in response to the COVID-19 Pandemic. Foundational documents such as a written learning agreement, parent/student handbook, and course contracts had to be drafted and approved by the Executive Cabinet before being sent out to parents electronically to sign and return.

Several challenges presented themselves in the collection of master agreements. Parents were notified multiple times, through general messaging, individual messaging, individual phone calls, calls from the School Community Facilitator, and through Home Visits through the Welfare and Attendance Officer. Some parents refused to return calls or answer the door on home visits. Others did not provide correct contact information. Technology challenges also factored in as many did not have access to a printer and were unable to sign digitally due to a lack of device or technical skills. There were McKinney Vento situations where families could not verify an address or phone number and had no Internet access. A final challenge was the five-day transfer in/out regulation per AB 30 as some students exited before capturing written learning agreement.

Beginning in the 2022-2023 school year, procedures were in place to capture all written learning agreements. The written learning agreement was available at registration for parents to sign, along with ancillary documents related to independent study. The remaining signatures were collected prior to the first day of instruction. New students entering Cloud Campus are provided with the written learning agreement on or before the first day of instruction. The Cloud Campus offices are available for visitors due to the improved COVID-19 situation, and most every parent comes on site to sign in person at the Cloud office.

Current Status: Implemented.

FINDING #2022-003: SCHOOL ACCOUNTABILITY REPORT CARD (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 72000

Criteria: California Education Code Section 33126(b)(8) requires each school accountability report card to include an assessment of the safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

Condition: The Newport-Mesa Unified School District (the District) has updated their school accountability report cards; however, the information related to the safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair, was not reported accurately on the school accountability report cards.

Questioned Costs: There are no questioned costs associated with the condition identified.

Context: The condition was identified through review of a sample of school accountability report cards published during the 2021-2022 school year. Three of the nine school accountability report cards sampled did not accurately report the information related to the safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair.

FINDING #2022-003: SCHOOL ACCOUNTABILITY REPORT CARD (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 72000 (continued)

Cause: It appears that the condition has materialized due to lack of review processes related to the preparation of the school accountability report cards.

Effect: The District is not in compliance with California Education Code Section 33126(b)(8).

Recommendation: The District should implement a review process to ensure that the information contained in the school accountability report cards is accurate.

District Response: The District has implemented a secondary review process for the input of the SARC data to help ensure that the data is reported accurately.

Current Status: Implemented.

FINDING #2022-004: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 40000

Criteria: California Education Code Section 42238.02(b)(4) states school districts should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data Systems (CalPads).

Condition: The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education were inaccurate. It appears that the District inaccurately reported three students as having a designation of free or reduced on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Questioned Costs: Using the audit penalty calculator published by the California Department of Education, the calculated questioned cost was determined to be $3,494. However, the District is a community funded (property tax funded) District and as a result, there would be no impact on current year's revenues.

Context: The condition was identified through inquiry with District personnel. Upon further inquiry and examination of District records, we noted the District had certain pupils with multiple identification numbers in the student information system. The multiple identification numbers resulted in errors in the data transfer from the student information system to CalPads. As a result, three students were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Cause: The primary cause appears to originate from District having students with multiple identification numbers in their student information system. This resulted in errors in the data transfer from the student information system to CalPads.

FINDING #2022-004: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 40000 (continued)

Effect: As a result of our testing, it appears that the District misreported pupils on the 1.18 – FRPM/English Learner/Foster Youth – Student List" CalPads report. The following schedule identified the District-wide exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on Eligibility FRPM	Adjusted Total Unduplicated Count
Total District-Wide	17,962	7,313	(3)	7,310

Recommendation: The District should emphasize the importance of completing Form 1.18 accurately, which includes ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should ensure that the information inputted to the student information system is properly maintained.

District Response: To correct student records that show multiple ID numbers, a guiding document was created in the 2021-2022 school year outlining the process beginning at the school site to find and merge duplicate records, and the implications thereof. The document outlines implications of duplicate student ID numbers as well as next steps that involve the IT, Special Education, Nutrition Services, Health Services, and ASB/Fiscal departments. This document, "Duplicate AERIES Student Record Implications – 2021-2022", is now in a shared Google Folder that is accessible by all elementary administrative assistants and secondary registrars. Training with personnel in these positions has been ongoing in the 2022-2023 school year, both in group and

individual/case-by-case settings and has been facilitated by the Coordinator of Data System Support and Staff Development. The CALPADS reporting point of contact in the NMUSD IT department, a Computer Software Analyst II, also supports monitoring student data for duplicate ID numbers throughout the school year.

Current Status: Implemented.

FINDING #2022-005: EXPANDED LEARNING OPPORTUNITIES GRANT (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 40000

Criteria: California Education Code Section 43522(e) requires the governing board of local education agencies to adopt an Expanded Learning Opportunities Grant plan on or before June 1, 2021 and to submit the plan to the county office of education within five days of adoption by the governing board.

Condition: The Newport-Mesa Unified School District's governing board adopted the Expanded Learning Opportunities Grant plan on May 18, 2021; however, the plan was not submitted to the Orange County Department of Education until June 7, 2021, which was not within the five-day timeline

FINDING #2022-005: EXPANDED LEARNING OPPORTUNITIES GRANT (SIGNIFICANT DEFICIENCY, NONCOMPLIANCE) – 40000 (continued)

Questioned Costs: There are no questioned costs associated with the condition identified.

Context: The condition was identified through a review of District records related to the Expanded Learning Opportunities Grant plan and inquiry with management.

Cause: No specific cause was identified other than a lack of oversight.

Effect: The District is not in compliance with California Education Code Section 43522(e).

Recommendation: The District should implement a process to ensure that requirements for new funding sources are reviewed and implemented.

District Response: The late submission of the plan to the Orange County Department of Education was an oversight. The importance of following submission deadlines has been made clear.

Current Status: Implemented.