

**TUSTIN UNIFIED SCHOOL DISTRICT  
ORANGE COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2025**



**TUSTIN UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2025*  
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*Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Tustin Unified School District  
Tustin, California

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tustin Unified School District, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tustin Unified School District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Changes in Accounting Principle***

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard. Our opinion is not modified with respect to this matter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

**Supplementary Information**

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


**Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
January 7, 2026

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management’s Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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This discussion and analysis of Tustin Unified School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

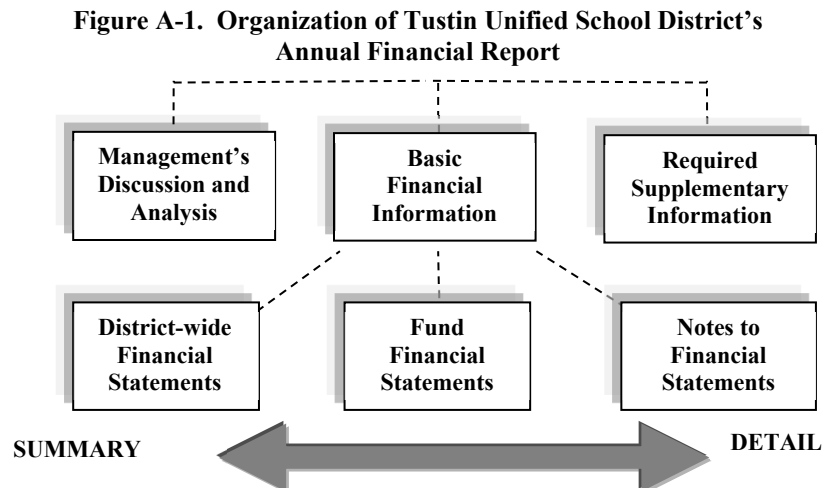
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$42.4 million, or 6.6%.
- Governmental expenses were about \$370.7 million. Revenues were about \$413.1 million.
- The District acquired approximately \$17.3 million in new capital assets during the year.
- Governmental funds increased by \$113.9 million, or 27.9%.
- Reserves for the General Fund decreased by \$51,333 or 0.5%. Revenues and other sources were \$372.4 million, and expenditures and other financing uses were \$358.6 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

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

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended June 30, 2025

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Fund Financial Statements (continued)**

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2025, than it was the year before – increasing 6.6% to \$688.6 million (See Table A-1).

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

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2025</b>	<b>2024*</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current assets	\$ 570,429,603	\$ 453,171,024	\$ 117,258,579
Capital assets	634,385,775	637,886,293	(3,500,518)
<b>Total Assets</b>	<u>1,204,815,378</u>	<u>1,091,057,317</u>	<u>113,758,061</u>
<b>Total Deferred Outflows of Resources</b>	<u>103,845,252</u>	<u>114,835,097</u>	<u>(10,989,845)</u>
<b>Liabilities</b>			
Current liabilities	42,623,881	39,283,361	3,340,520
Long-term liabilities	523,729,977	486,893,932	36,836,045
<b>Total Liabilities</b>	<u>566,353,858</u>	<u>526,177,293</u>	<u>40,176,565</u>
<b>Total Deferred Inflows of Resources</b>	<u>53,702,429</u>	<u>33,461,983</u>	<u>20,240,446</u>
<b>Net Position</b>			
Net investment in capital assets	497,119,756	493,003,464	4,116,292
Restricted	203,628,759	194,116,599	9,512,160
Unrestricted	(12,144,172)	(40,866,925)	28,722,753
<b>Total Net Position</b>	<u>\$ 688,604,343</u>	<u>\$ 646,253,138</u>	<u>\$ 42,351,205</u>

\*As restated

**Changes in net position, governmental activities.** The District's total revenues decreased 9.7% to \$413.1 million (See Table A-2). The decrease is due primarily to decreased operating and capital grants.

The total cost of all programs and services decreased 1.2% to \$370.7 million. The District's expenses are predominantly related to educating and caring for students, 71.8%. The purely administrative activities of the District accounted for just 6.9% of total costs. A significant contributor to the decrease in costs was a decline in instruction-related expenses.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

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

	<u>Governmental Activities</u>		<b>Variance</b>
	<u>2025</u>	<u>2024</u>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 2,886,934	\$ 6,515,963	\$ (3,629,029)
Operating grants and contributions	86,282,202	107,070,777	(20,788,575)
Capital grants and contributions	-	22,276,105	(22,276,105)
General Revenues:			
Property taxes	212,068,119	202,468,351	9,599,768
Federal and state aid not restricted	82,819,490	94,671,249	(11,851,759)
Other general revenues	29,039,260	24,371,798	4,667,462
<b>Total Revenues</b>	<u>413,096,005</u>	<u>457,374,243</u>	<u>(44,278,238)</u>
<b>Expenses</b>			
Instruction-related	217,637,552	230,850,815	(13,213,263)
Pupil services	48,550,188	48,113,161	437,027
Administration	25,760,763	25,391,136	369,627
Plant services	36,260,566	32,353,529	3,907,037
All other activities	42,535,731	38,718,781	3,816,950
<b>Total Expenses</b>	<u>370,744,800</u>	<u>375,427,422</u>	<u>(4,682,622)</u>
Increase (decrease) in net position	<u>\$ 42,351,205</u>	<u>\$ 81,946,821</u>	<u>\$ (39,595,616)</u>
<b>Total Net Position</b>	<u>\$ 688,604,343</u>	<u>\$ 646,253,138</u>	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$521.7 million, which is above last year's ending fund balance of \$407.8 million. The primary cause of the increased fund balance is proceeds from a bond issuance in the Building Fund.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				June 30, 2025
	July 1, 2024	Revenues	Expenditures	Other Sources and (Uses)	
General Fund	\$ 215,433,069	\$ 372,265,242	\$ 351,778,060	\$ (6,680,985)	\$ 229,239,266
Student Activity Special Revenue Fund	1,145,067	2,820,601	2,967,939	-	997,729
Adult Education Fund	1,898,417	1,626,739	1,581,925	-	1,943,231
Child Development Fund	3,094,732	5,310,110	5,241,881	-	3,162,961
Cafeteria Fund	16,670,332	16,663,883	13,204,308	-	20,129,907
Deferred Maintenance Fund	10,581,017	5,027,527	4,882,323	-	10,726,221
Special Reserve Fund (Other Than Capital Outlay)	8,859,742	508,710	-	-	9,368,452
Building Fund	11,906,682	2,616,397	6,236,297	87,000,000	95,286,782
Capital Facilities Fund	19,203,200	3,612,298	112,109	-	22,703,389
County School Facilities Fund	54,735,067	3,139,699	1,400,521	-	56,474,245
Special Reserve Fund (Capital Outlay)	46,179,248	111,448	1,552,589	6,823,774	51,561,881
Capital Outlay Fund for Blended Component Units	3,099,717	541,719	70,433	223,566	3,794,569
Bond Interest and Redemption Fund	14,964,950	16,859,386	17,340,355	1,846,545	16,330,526
	<u>\$ 407,771,240</u>	<u>\$ 431,103,759</u>	<u>\$ 406,368,740</u>	<u>\$ 89,212,900</u>	<u>\$ 521,719,159</u>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights**

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

- Revenues – increased by \$32.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$8.8 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$6.0 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$20.6 million, the actual results for the year show that revenues exceeded expenditures by roughly \$20.5 million. Actual revenues were \$9.6 million less than anticipated, and expenditures were \$9.5 million less than budgeted.

That amount consists primarily of restricted program dollars that were not spent as of June 30, 2025, that will be carried over into the 2025-26 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2024-25 the District had acquired \$17.3 million in new capital assets, related to land, construction in progress, site improvements, subscription assets, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$19.3 million, and amortization was \$1.4 million.

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

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2025</b>	<b>2024</b>	
Land	\$ 176,147,527	\$ 176,147,527	\$ -
Improvement of sites	31,592,576	33,575,306	(1,982,730)
Buildings	403,075,134	373,354,280	29,720,854
Equipment	7,592,885	7,912,833	(319,948)
Construction in progress	12,950,891	43,644,703	(30,693,812)
Subscription assets	3,026,762	3,251,644	(224,882)
<b>Total</b>	<b>\$ 634,385,775</b>	<b>\$ 637,886,293</b>	<b>\$ (3,500,518)</b>

**Long-Term Debt**

At year-end the District had \$523.7 million in long-term liabilities – an increase of 7.6% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management’s Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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

	Governmental Activities		Variance
	2025	2024*	Increase (Decrease)
General obligation bonds	\$ 242,031,694	\$ 166,696,181	\$ 75,335,513
Workers' compensation claims	675,275	702,285	(27,010)
Compensated absences	14,332,088	13,903,343	428,745
Subscription based IT arrangements	325,063	419,824	(94,761)
Other postemployment benefits	27,553,318	32,873,204	(5,319,886)
Net pension liability	238,812,539	272,299,095	(33,486,556)
Total	\$ 523,729,977	\$ 486,893,932	\$ 36,836,045

\*As restated

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

***California State Budget***

The Budget aims to solve a \$11.8 billion General Fund deficit for 2025-26 through reductions, borrowing and fund shifts. The 2025-26 Enacted Budget relies on reserves and deferrals to meet its Proposition 98 obligations for the fiscal year, including the scheduled \$7.1 billion Budget Stabilization Act (BSA) withdrawal in 2025-26. This will leave a combined reserve balance of \$15.7 billion in 2025-26, including \$11.2 billion in the BSA and an additional \$4.5 billion in the state’s discretionary reserve account (the Special Fund for Economic Uncertainties).

***TK-12 Education***

The Budget includes total funding of \$137.6 billion (\$80.5 billion General Fund and \$57.1 billion other funds) for all TK-12 education programs.

***Proposition 98***

The Budget revised estimates of General Fund revenues resulting in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be \$98.5 billion in 2023-24, \$119.9 billion in 2024-25, and \$114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately \$3.9 billion over the three-year period relative to the 2024 Budget Act. The Budget appropriates the 2024-25 Guarantee at \$118 billion, instead of the currently calculated level of \$119.9 billion. The difference between the appropriated and the calculated levels is \$1.9 billion, which is referred to as “settle-up.” The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Budget shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget, beginning in the 2025-26 fiscal year. This shifts \$232.9 million in ongoing resources from community colleges to TK-12 schools. The purpose of re-benching Proposition 98 for the cost of TK expansion is to ensure that the implementation of universal TK does not create a fiscal burden on existing TK-12 programs.

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent. When combined with population growth adjustments, these baseline adjustments will increase discretionary funds for local educational agencies (LEAs) by \$2.1 billion compared to the 2024 Budget Act. To fully fund the LCFF, the Budget uses \$405.3 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

Budgetary deferrals of \$246.6 million for TK-12 education from 2024-25 will be fully repaid in 2025-26. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget defers \$1.9 billion in LCFF funding from June 2026 to July 2026.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

***Funding Results for Education Programs***

In the 2025-26 school year, the Budget provides a total of \$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK. The Budget also provides an additional \$1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

The Budget provides \$515.1 million ongoing for the full implementation of the Expanded Learning Opportunities Program by increasing the number of elementary schools that offer universal access to students. Additionally, the Budget includes \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA.

The Budget provides \$480 million to support literacy instruction aligned with the ELA/ELD Framework and includes multiple investments intended to support teachers and improve access to the educator pipeline. In addition, the Budget allocates \$1.7 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant, as well as numerous one-time grants for various new and ongoing program support.

***Federal Implications***

Because the State Budget was approved in late June, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The bill does not make any statutory or direct funding adjustments to TK-12 federal education programs, including Title I and the Individuals with Disabilities Education Act. However, the bill allocates \$100 million to the OMB to conduct reviews across the executive branch aimed at identifying "budget and accounting efficiencies."

All of these factors were considered in preparing the Tustin Unified School District budget for the 2025-26 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Statement of Net Position

June 30, 2025

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	Total Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 534,061,038
Accounts receivable	35,953,549
Inventories	415,016
Capital assets:	
Non-depreciable assets	189,098,418
Depreciable assets	727,110,690
Less accumulated depreciation	(284,850,095)
Subscription assets	5,802,580
Less accumulated amortization	(2,775,818)
Total Assets	<u>1,204,815,378</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	6,009,387
Deferred outflows from OPEB	2,804,826
Deferred outflows from pensions	<u>95,031,039</u>
Total Deferred Outflows of Resources	<u>103,845,252</u>
<b>LIABILITIES</b>	
Accounts payable	37,407,449
Accrued interest payable	2,744,422
Unearned revenue	2,472,010
Noncurrent liabilities:	
Due or payable within one year	14,175,153
Due in more than one year:	
Other than OPEB and pensions	243,188,967
Total OPEB liability	27,553,318
Net pension liability	<u>238,812,539</u>
Total Liabilities	<u>566,353,858</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from OPEB	13,621,592
Deferred inflows from pensions	<u>40,080,837</u>
Total Deferred Inflows of Resources	<u>53,702,429</u>
<b>NET POSITION</b>	
Net investment in capital assets	497,119,756
Restricted for:	
Capital projects	79,177,634
Debt service	16,330,526
Categorical programs	78,837,253
Student activities	997,729
Child nutrition programs	20,129,907
Workers' compensation claims	8,155,710
Unrestricted	<u>(12,144,172)</u>
Total Net Position	<u>\$ 688,604,343</u>

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

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instructional services:				
Instruction	\$ 185,166,243	\$ 189,754	\$ 30,126,591	\$ (154,849,898)
Instruction-related services:				
Supervision of instruction	11,177,651	101,137	2,125,991	(8,950,523)
Instructional library, media and technology	2,109,376	-	(39,290)	(2,148,666)
School site administration	19,184,282	2,903	955,466	(18,225,913)
Pupil support services:				
Home-to-school transportation	7,237,051	-	-	(7,237,051)
Food services	13,026,925	19,405	16,334,608	3,327,088
All other pupil services	28,286,212	57,495	7,483,427	(20,745,290)
General administration services:				
Data processing services	4,078,476	-	-	(4,078,476)
Other general administration	21,682,287	7,521	1,894,987	(19,779,779)
Plant services	36,260,566	-	3,156,477	(33,104,089)
Ancillary services	7,896,673	-	9,294,005	1,397,332
Community services	2,535,698	-	1,196,571	(1,339,127)
Enterprise activities	(533,603)	-	-	533,603
Interest on long-term debt	11,528,785	-	-	(11,528,785)
Other outgo	388,350	2,508,719	13,753,369	15,873,738
Depreciation (unallocated)	19,277,365	-	-	(19,277,365)
Amortization (unallocated)	1,442,463	-	-	(1,442,463)
<b>Total Governmental Activities</b>	<b>\$ 370,744,800</b>	<b>\$ 2,886,934</b>	<b>\$ 86,282,202</b>	<b>(281,575,664)</b>
<b>General Revenues:</b>				
Property taxes				212,068,119
Federal and state aid not restricted to specific purpose				82,819,490
Interest and investment earnings				16,943,588
Transfers				223,567
Miscellaneous				11,872,105
<b>Total general revenues</b>				<b>323,926,869</b>
Change in net position				42,351,205
Net position - July 1, 2024, as originally stated				657,325,053
Adjustment for restatement (Note 13)				(11,071,915)
Net position - July 1, 2024, as restated				646,253,138
Net position - June 30, 2025				<b>\$ 688,604,343</b>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2025*

	General Fund	Building Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 251,235,572	\$ 96,763,349	\$ 12,130,653	\$ 165,218,627	\$ 525,348,201
Accounts receivable	24,765,410	325,131	6,235,207	4,599,462	35,925,210
Due from other funds	841,981	27	-	6,864,988	7,706,996
Inventories	301,102	-	-	113,914	415,016
Total Assets	<u>\$ 277,144,065</u>	<u>\$ 97,088,507</u>	<u>\$ 18,365,860</u>	<u>\$ 176,796,991</u>	<u>\$ 569,395,423</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 18,623,645	\$ 1,555,637	\$ 14,546,486	\$ 2,680,016	\$ 37,405,784
Due to other funds	6,948,581	246,088	24,805	578,996	7,798,470
Unearned revenue	2,237,900	-	-	234,110	2,472,010
Total Liabilities	<u>27,810,126</u>	<u>1,801,725</u>	<u>\$ 14,571,291</u>	<u>3,493,122</u>	<u>47,676,264</u>
<b>Fund Balances</b>					
Nonspendable	641,102	-	-	113,914	755,016
Restricted	76,651,406	95,286,782	3,794,569	118,707,729	294,440,486
Committed	150,560,784	-	-	-	150,560,784
Assigned	10,726,221	-	-	54,482,226	65,208,447
Unassigned	10,754,426	-	-	-	10,754,426
Total Fund Balances	<u>249,333,939</u>	<u>95,286,782</u>	<u>3,794,569</u>	<u>173,303,869</u>	<u>521,719,159</u>
Total Liabilities and Fund Balances	<u>\$ 277,144,065</u>	<u>\$ 97,088,507</u>	<u>\$ 18,365,860</u>	<u>\$ 176,796,991</u>	<u>\$ 569,395,423</u>

# TUSTIN UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2025

**Total Fund Balances - Governmental Funds** \$ 521,719,159

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

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

Capital assets at historical cost:	916,209,108	
Accumulated depreciation:	(284,850,095)	
Subscription assets	5,802,580	
Accumulated amortization	<u>(2,775,818)</u>	
Net:		634,385,775

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

6,009,387

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

(2,744,422)

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

General obligation bonds payable	242,031,694	
Subscription based IT arrangements	325,063	
Compensated absences	14,332,088	
Net pension liability	238,812,539	
Other postemployment benefits	<u>27,553,318</u>	
Total		(523,054,702)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	95,031,039	
Deferred inflows of resources relating to pensions	<u>(40,080,837)</u>	
Net:		54,950,202

In governmental funds, deferred outflows and deferred inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	2,804,826	
Deferred inflows of resources relating to OPEB	<u>(13,621,592)</u>	
		(10,816,766)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is:

8,155,710

**Total Net Position - Governmental Activities** \$ 688,604,343

# TUSTIN UNIFIED SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2025

	General Fund	Building Fund	Formerly Major Fund County School Facilities Fund	Formerly Major Fund Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ 265,219,115	\$ -			\$ -	\$ -	\$ 265,219,115
Federal sources	8,348,461	-			-	7,973,192	16,321,653
Other state sources	67,063,270	-			-	13,582,514	80,645,784
Other local sources	37,170,633	2,616,397			541,719	28,588,458	68,917,207
Total Revenues	377,801,479	2,616,397			541,719	50,144,164	431,103,759
<b>EXPENDITURES</b>							
Current:							
Instruction	207,807,522	-			-	2,748,227	210,555,749
Instruction-related services:							
Supervision of instruction	12,562,979	-			-	14,294	12,577,273
Instructional library, media and technology	1,931,777	-			-	-	1,931,777
School site administration	19,947,177	-			-	863,893	20,811,070
Pupil support services:							
Home-to-school transportation	7,233,016	-			-	-	7,233,016
Food services	126,599	-			-	12,893,244	13,019,843
All other pupil services	30,058,332	-			-	265,752	30,324,084
Ancillary services	4,962,930	-			-	2,967,939	7,930,869
Community services	468,073	-			-	2,071,736	2,539,809
General administration services:							
Data processing services	4,785,150	-			-	-	4,785,150
Other general administration	20,805,425	-			-	-	20,805,425
Plant services	31,561,437	-			-	360	31,561,797
Transfers of indirect costs	(477,892)	-			-	477,892	-
Capital Outlay	9,733,120	5,615,796			70,433	3,757,935	19,177,284
Intergovernmental transfers	4,906,146	-			-	-	4,906,146
Debt Service:							
Principal	237,550	-			-	12,355,000	12,592,550
Interest	11,042	-			-	4,985,355	4,996,397
Issuance costs	-	620,501			-	-	620,501
Total Expenditures	356,660,383	6,236,297			70,433	43,401,627	406,368,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,141,096	(3,619,900)			471,286	6,742,537	24,735,019
<b>OTHER FINANCING SOURCES (USES)</b>							
Interfund transfers in	-	-			-	6,823,774	6,823,774
Interfund transfers out	(6,823,774)	-			-	-	(6,823,774)
Issuance of debt - general obligation bonds	-	87,000,000			-	-	87,000,000
Premiums on issuances of debt	-	-			-	1,846,545	1,846,545
Issuance of debt - SBITAs	142,789	-			-	-	142,789
Transfers from fiduciary fund	-	-			223,566	-	223,566
Total Other Financing Sources and Uses	(6,680,985)	87,000,000			223,566	8,670,319	89,212,900
Net Change in Fund Balances	14,460,111	83,380,100			694,852	15,412,856	113,947,919
Fund Balances, July 1, 2024, as originally reported	234,873,828	11,906,682	54,735,067	46,179,248	3,099,717	56,976,698	407,771,240
Change within reporting entity (major to non-major fund)	-	-	(54,735,067)	(46,179,248)	-	100,914,315	-
Fund Balances, July 1, 2024, as restated	234,873,828	11,906,682			3,099,717	157,891,013	407,771,240
Fund Balances, June 30, 2025	\$ 249,333,939	\$ 95,286,782			\$ 3,794,569	\$ 173,303,869	\$ 521,719,159

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2025*

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**Total Net Change in Fund Balances - Governmental Funds** \$ 113,947,919

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

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

Expenditures for capital outlay	17,270,476	
Depreciation expense	(19,277,365)	
Amortization expense	<u>(1,442,463)</u>	
Net:		(3,449,352)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (51,166)

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, including premiums were: (88,989,334)

In governmental funds, repayments of long-term debt and refunding's are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment and refunding's of the principal portion of long-term debt were: 12,592,550

In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period that it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 1,156,032

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (563,463)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions were: (223,870)

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Deferred amounts on refunding exceeded the amount amortized during the year by: (797,566)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 8,597,587

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. 560,613

In the statement of activities, certain liabilities such as compensated absences and workers' compensation claims liabilities, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (428,745)

**Change in Net Position of Governmental Activities** \$ 42,351,205

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2025*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
	<b>Fund</b>
<b>ASSETS</b>	
Current:	
Deposits and investments	\$ 8,712,837
Accounts receivable	28,339
Due from other funds	91,474
	<hr/>
Total assets	8,832,650
	<hr/>
<b>LIABILITIES</b>	
Current:	
Accounts payable and accrued liabilities	1,665
Noncurrent:	
Estimated liability for open claims and IBNR	675,275
	<hr/>
Total liabilities	676,940
	<hr/>
<b>NET POSITION</b>	
Restricted	\$ 8,155,710
	<hr/> <hr/>

**TUSTIN UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds  
For the Fiscal Year Ended June 30, 2025*

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 2,659,840
Other local revenue	<u>82,433</u>
Total operating revenues	<u>2,742,273</u>
<b>OPERATING EXPENSES</b>	
Change in estimate for claims	(27,010)
Services and other operating expenditures	<u>2,677,772</u>
Total operating expenses	<u>2,650,762</u>
Operating Income (Loss)	91,511
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>469,102</u>
Change in net position	560,613
Net position, July 1, 2024	<u>7,595,097</u>
Net position, June 30, 2025	<u><u>\$ 8,155,710</u></u>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2025*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from in-district premiums	\$ 2,655,226
Payments to vendors and suppliers	(2,649,813)
Payments and changes in estimates on insurance claims	(27,010)
Receipts from pending claims	82,433
Net cash provided (used) by operating activities	<u>60,836</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>470,469</u>
Net increase (decrease) in cash	531,305
Cash, July 1, 2024	<u>8,181,532</u>
Cash, June 30, 2025	<u>\$ 8,712,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 91,511
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Due from other funds	(4,614)
Estimated liability for open claims and IBNRs	(27,010)
Accounts payable and accrued liabilities	949
Total adjustments	<u>(30,675)</u>
Net cash (used) by operating activities	<u>\$ 60,836</u>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2025*

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	<b>Debt Service Fund for Special Tax Bonds</b>
<b>ASSETS</b>	
Deposits	\$ 6,556,800
Investments	9,257,603
Due from other funds	<u>14,546,486</u>
<b>Total Assets</b>	<u>30,360,889</u>
<b>LIABILITIES</b>	
Accounts payable	12,402
Due to other funds	<u>6,195,004</u>
<b>Total Liabilities</b>	<u>6,207,406</u>
<b>NET POSITION</b>	
Restricted	<u>\$ 24,153,483</u>

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fiduciary Net Position  
June 30, 2025*

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	<b>Debt Service Fund for Special Tax Bonds</b>
<b>ADDITIONS</b>	
Local property taxes	\$ 14,851,047
Interest	408,194
All other transfers in	<u>203,641</u>
<b>Total Additions</b>	<u>15,462,882</u>
<b>DEDUCTIONS</b>	
General administration	280,902
Debt service-principal	15,520,000
Debt service-interest	9,336,702
All other transfers out	<u>1,251,148</u>
<b>Total Deductions</b>	<u>26,388,752</u>
Change in fiduciary net position	(10,925,870)
Net position - July 1, 2024	<u>35,079,353</u>
Net position - June 30, 2025	<u>\$ 24,153,483</u>

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

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

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

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

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

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

##### 1. Basis of Presentation

###### District-Wide Financial Statements

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

# TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

#### 1. Basis of Presentation (continued)

##### **District-Wide Financial Statements (continued)**

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

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

##### **Fund Financial Statements**

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

##### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund and a Special Reserve Fund for Other Than Capital Outlay Projects. The Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund. The District also maintains a Section 125 Employee Benefit Plan to hold funds that are collected on behalf of employees for benefits which is now reported in governmental funds.

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

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 1. Basis of Presentation (continued)

###### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 1. Basis of Presentation (continued)

###### Proprietary Funds

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

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

###### Fiduciary Funds

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

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

##### 2. Measurement Focus, Basis of Accounting

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

The District-wide and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

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

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

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

#### C. Encumbrances

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Inventories and Prepaid Items

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

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 3. Capital Assets

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

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

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

##### 4. Unearned Revenue

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

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

##### 5. Deferred Outflows/Inflows of Resources

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

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

##### 6. Compensated Absences

The District has implemented GASB Statement No. 101, *Compensated Absences*. A liability is reported for unused vacation leave. Although sick leave is not paid out upon separation, a liability is recorded for the portion of sick leave that is more likely than not to be used for paid time off. The liability is measured using current pay rates and includes applicable salary-related costs.

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 7. Leases

###### Lessee:

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying assets.

###### Lessor:

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

##### 8. Subscription-Based Information Technology Arrangements

The District recognizes a subscription liability and an intangible right-to-use subscriptions IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the lease liability, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from 2 to 4 years.

##### 9. Postemployment Benefits Other Than Pensions (OPEB)

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

##### 10. Pensions

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

# TUSTIN UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

#### 11. Fund Balances

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

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

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

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

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

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

#### 12. Net Position

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

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

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

#### E. Minimum Fund Balance Policy

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

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

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

#### F. Property Tax Calendar

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

#### G. Use of Estimates

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

#### H. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires the recognition of accrued compensated absences as a liability in the financial statements. The implementation resulted in a cumulative effect adjustment to beginning net position to reflect the recognition of accumulated leave liabilities previously unrecorded. The impact on the District's beginning net position was a decrease of \$11,071,915.

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 525,348,201
Proprietary funds	8,712,837
Governmental activities	534,061,038
Fiduciary funds	15,814,403
Total Deposits and Investments	<u>\$ 549,875,441</u>

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	\$ 1,257,727
Cash in revolving fund	150,000
Investments	548,467,714
Total Deposits and Investments	<u>\$ 549,875,441</u>

#### Pooled Funds

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

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

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

As of June 30, 2025, \$2,113,184 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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

**Investments - Interest Rate Risk**

The District’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District’s investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2025, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
Investments:					
U.S. Bank First American Treasury Obligations	\$ 15,814,403	\$ 15,814,403	\$ -	Level 2	AAA
U.S. Bank Treasury Money Market Funds	1,295	1,295	-	Level 2	AAA
Orange County Pool	532,652,016	532,652,016	-	Uncategorized	N/A
	<u>\$ 548,467,714</u>	<u>\$ 548,467,714</u>	<u>\$ -</u>		

**Investments - Credit Risk**

The District’s investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2025, all investments represented governmental securities which were issued, registered and held by the District’s agent in the District’s name.

**Investments - Concentration of Credit Risk**

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2025, the District had the following investments that represents more than five percent outside of the County Pool.

U.S. Bank First American Treasury Obligations	99.992%
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# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

#### Fair Value Measurements

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

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

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

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

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

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

### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consisted of the following:

	General Fund	Building Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:						
Categorical aid programs	\$ 5,126,243	\$ -	\$ -	\$ 266,101	\$ 5,392,344	\$ -
Food service	-	-	-	1,596,547	1,596,547	-
State Government:						
LCFF sources	5,545,059	-	-	-	5,545,059	-
Lottery	1,519,217	-	-	-	1,519,217	-
Categorical aid programs	6,688,273	-	-	229,539	6,917,812	-
Food service	-	-	-	2,026,045	2,026,045	-
Local:						
Interest	987,900	325,131	40,203	332,474	1,685,708	28,339
Other local	4,898,718	-	6,195,004	148,756	11,242,478	-
Total	<u>\$ 24,765,410</u>	<u>\$ 325,131</u>	<u>\$ 6,235,207</u>	<u>\$ 4,599,462</u>	<u>\$ 35,925,210</u>	<u>\$ 28,339</u>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 4 – INTERFUND TRANSACTIONS**

**Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2025, consisted of the following:

	Due From Other Funds				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 27	\$ 6,864,988	\$ 83,566	\$ 6,948,581
Building Fund	245,830	-	-	258	246,088
Capital Project Fund for Blended Component Units	24,805	-	-	-	24,805
Non-Major Governmental Funds	571,346	-	-	7,650	578,996
Total	<u>\$ 841,981</u>	<u>\$ 27</u>	<u>\$ 6,864,988</u>	<u>\$ 91,474</u>	<u>\$ 7,798,470</u>

Adult Education Fund due to General Fund for indirect costs and benefits	\$ 52,830
Adult Education Fund due to Self-Insurance Fund for workers comp. liabilities	1,560
Child Development Fund due to General Fund for indirect costs and benefits	157,148
Child Development Fund due to Self-Insurance Fund for workers comp. liabilities	1,448
Cafeteria Special Revenue Fund due to General Fund for drivers, benefits and indirect costs	361,368
Capital Project Fund for Blended Component Units due to General Fund for admin. fees	24,805
Cafeteria Special Revenue Fund due to Self-Insurance Fund for workers comp. liabilities	4,642
Building Fund due to General Fund for Davenport invoice	245,830
Building Fund due to Self-Insurance Fund for workers comp. liabilities	258
General Fund due to Building Fund to reverse benefits transfer	27
General Fund due to Child Development Fund to reverse benefits transfer	609
General Fund due to Adult Education Fund to reverse benefits transfer	105
General Fund due to Special Reserve Fund for Capital Outlay Projects for redevelopment funds	6,823,774
General Fund due to Cafeteria Special Revenue Fund for indirect and payroll costs	40,500
General Fund due to Self-Insurance Fund for workers comp. liabilities	83,566
Total	<u>\$ 7,798,470</u>

**Interfund Transfers In/Out**

Interfund transfers in/out of other funds during the 2024-25 year consisted of the following:

General Fund transfer to Special Reserve Fund for Capital Outlay Projects for RDA funds and special revenue transfer	<u>\$ 6,823,774</u>
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**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

**NOTE 5 – FUND BALANCES**

At June 30, 2025, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Capital Projects Fund for Component Units	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Stores inventories	301,102	-	-	113,914	415,016
All others	190,000	-	-	-	190,000
Total Nonspendable	641,102	-	-	113,914	755,016
<b>Restricted:</b>					
Categorical programs	76,651,406	-	-	-	76,651,406
Adult education program	-	-	-	372,564	372,564
Child development programs	-	-	-	1,813,283	1,813,283
Food service program	-	-	-	20,015,993	20,015,993
Capital projects	-	95,286,782	3,794,569	79,177,634	178,258,985
Debt service	-	-	-	16,330,526	16,330,526
Student activity	-	-	-	997,729	997,729
Total Restricted	76,651,406	95,286,782	3,794,569	118,707,729	294,440,486
<b>Committed:</b>					
Vacation liability	2,434,983	-	-	-	2,434,983
ADA and enrollment mitigation	9,955,827	-	-	-	9,955,827
Safety and security updates	2,000,000	-	-	-	2,000,000
Local protection	38,563,027	-	-	-	38,563,027
Facilities maintenance	9,516,387	-	-	-	9,516,387
Technology refresh	8,000,000	-	-	-	8,000,000
Classroom furniture	100,000	-	-	-	100,000
One-time discretionary	37,955,417	-	-	-	37,955,417
Textbook adoption	4,599,078	-	-	-	4,599,078
Anthem Heath Reimbursement	20,000	-	-	-	20,000
Wellness carryover	158,496	-	-	-	158,496
Health and welfare ACA IRS fees	100,000	-	-	-	100,000
School local instructional programs	1,169,585	-	-	-	1,169,585
Tech insurance rebate	347,248	-	-	-	347,248
Pension liability	4,600,000	-	-	-	4,600,000
LCAP Programs	5,570,745	-	-	-	5,570,745
MAA/Medi-Cal program	1,224,625	-	-	-	1,224,625
Fair market value adjustment	3,015,809	-	-	-	3,015,809
Staffing continuity	5,368,751	-	-	-	5,368,751
Risk pool assessment	4,000,000	-	-	-	4,000,000
Purchase order carryover	2,492,354	-	-	-	2,492,354
Other commitments	9,368,452	-	-	-	9,368,452
Total Committed	150,560,784	-	-	-	150,560,784
<b>Assigned:</b>					
Adult education program	-	-	-	1,570,667	1,570,667
Child development operations	-	-	-	1,349,678	1,349,678
Deferred maintenance program	10,726,221	-	-	-	10,726,221
Capital outlay projects	-	-	-	51,561,881	51,561,881
Total Assigned	10,726,221	-	-	54,482,226	65,208,447
<b>Unassigned:</b>					
Reserve for economic uncertainties	10,754,426	-	-	-	10,754,426
Total Unassigned	10,754,426	-	-	-	10,754,426
<b>Total</b>	<b>\$ 249,333,939</b>	<b>\$ 95,286,782</b>	<b>\$ 3,794,569</b>	<b>\$ 173,303,869</b>	<b>\$ 521,719,159</b>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance, July 1, 2024	Additions	Retirements	Balance, June 30, 2025
Capital assets not being depreciated:				
Land	\$ 176,147,527	\$ -	\$ -	\$ 176,147,527
Construction in progress	43,644,703	10,544,790	41,238,602	12,950,891
Total capital assets not being depreciated	<u>219,792,230</u>	<u>10,544,790</u>	<u>41,238,602</u>	<u>189,098,418</u>
Capital assets being depreciated:				
Improvement of sites	70,625,573	1,198,959	33,200	71,791,332
Buildings	577,501,373	43,906,236	-	621,407,609
Equipment	33,188,809	1,641,512	918,572	33,911,749
Total capital assets being depreciated	<u>681,315,755</u>	<u>46,746,707</u>	<u>951,772</u>	<u>727,110,690</u>
Accumulated depreciation for:				
Improvement of sites	(37,050,267)	(3,181,689)	(33,200)	(40,198,756)
Buildings	(204,147,093)	(14,185,382)	-	(218,332,475)
Equipment	(25,275,976)	(1,910,294)	(867,406)	(26,318,864)
Total accumulated depreciation	<u>(266,473,336)</u>	<u>(19,277,365)</u>	<u>(900,606)</u>	<u>(284,850,095)</u>
Subscription assets:				
IT subscriptions	4,680,989	1,217,581	95,990	5,802,580
Accumulated amortization for:				
IT subscriptions	(1,429,345)	(1,442,463)	(95,990)	(2,775,818)
Total subscription assets, net	<u>3,251,644</u>	<u>(224,882)</u>	<u>-</u>	<u>3,026,762</u>
Governmental activity capital assets, net	<u>\$ 637,886,293</u>	<u>\$ 37,789,250</u>	<u>\$ 41,289,768</u>	<u>\$ 634,385,775</u>

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

Changes in long-term debt for the fiscal year ended June 30, 2025, were as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 156,455,000	\$ 87,000,000	\$ 12,355,000	\$ 231,100,000	\$ 12,735,000
Unamortized Issuance Premium	10,241,181	1,846,545	1,156,032	10,931,694	1,200,707
Total - GO Bonds	<u>166,696,181</u>	<u>88,846,545</u>	<u>13,511,032</u>	<u>242,031,694</u>	<u>13,935,707</u>
Workers' Compensation Claims	702,285	-	27,010	675,275	-
Compensated Absences					
Sick Leave*	11,071,915	716,346	-	11,788,261	-
Vacation Leave	2,831,428	-	287,601	2,543,827	-
Subscription-based IT arrangements	419,824	142,789	237,550	325,063	239,446
Totals	<u>\$ 181,721,633</u>	<u>\$ 89,705,680</u>	<u>\$ 14,063,193</u>	<u>\$ 257,364,120</u>	<u>\$ 14,175,153</u>

\*As restated

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Workers' compensation claims will be paid by the Self-Insurance Fund. Subscription-based IT arrangements are paid from the General Fund. Additions and deductions for compensated absences are reported net of their cumulative change in the current year.

# TUSTIN UNIFIED SCHOOL DISTRICT

## *Notes to Financial Statements*

*June 30, 2025*

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

#### A. General Obligation Bonds

##### **Measure G**

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 5, 2002, at which more than 55% of the voters authorized the issuance and sale of \$80 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools and to fund a portion of the cost of the construction of a new elementary school. Measure G bonds were refunded and so do not appear on the subsequent table. See prior year's defeasance of debt below.

##### **Measure L**

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

##### **Measure S**

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

##### **Measure J**

On November 5, 2024, an election was held in the District, whereby the voters approved by more than 55% of the vote Measure "J", which authorizes the District to issue up to \$261 million of general obligation bonds. The bonds will be used to construct, renovate, upgrade, and provide repair of existing school facilities.

##### **Prior-Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2025, none of the defeased debt remains outstanding.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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

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

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

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2025, deferred amounts on refunding were \$6,009,387.

Below is a schedule of bonds issued and outstanding as of June 30, 2025.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
<b>Measure L:</b>								
2008D	2/18/2015	2038	3.0% - 3.375%	\$ 20,000,000	\$ 16,970,000	\$ -	\$ 475,000	\$ 16,495,000
<b>Measure S:</b>								
2012B	2/15/2018	2041	2.0% - 5.0%	20,000,000	9,505,000	-	40,000	9,465,000
2012C	2/8/2023	2032	4%-5.0%	20,000,000	16,300,000	-	3,840,000	12,460,000
<b>Measure J:</b>								
2025	3/20/2025	2055	4.0%-5.0%	87,000,000	-	87,000,000	-	87,000,000
<b>Refunding Bonds:</b>								
Refunding	1/28/2015	2032	2.0% - 5.0%	23,795,000	4,770,000	-	1,605,000	3,165,000
Refunding	4/6/2016	2029	5%	15,195,000	11,180,000	-	2,170,000	9,010,000
Refunding	4/6/2016	2037	2% - 5%	26,545,000	21,670,000	-	1,870,000	19,800,000
Refunding	12/21/2017	2035	4% - 5%	9,345,000	9,345,000	-	-	9,345,000
Refunding	12/21/2017	2035	4% - 5%	11,870,000	11,870,000	-	-	11,870,000
Refunding	3/11/2021	2031	0.157-1.754	11,910,000	11,125,000	-	305,000	10,820,000
Refunding	3/11/2021	2042	0.157%-2.649%	23,570,000	22,520,000	-	1,015,000	21,505,000
Refunding	3/11/2021	2037	0.157%-2.354%	22,045,000	21,200,000	-	1,035,000	20,165,000
Totals					<u>\$ 156,455,000</u>	<u>\$ 87,000,000</u>	<u>\$ 12,355,000</u>	<u>\$ 231,100,000</u>

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

Fiscal Year	Principal	Interest	Total
2025-26	\$ 12,735,000	\$ 7,090,606	\$ 19,825,606
2026-27	18,600,000	8,244,316	26,844,316
2027-28	18,265,000	6,791,930	25,056,930
2028-29	10,445,000	6,259,081	16,704,081
2029-30	10,000,000	5,924,005	15,924,005
2030-35	51,205,000	24,395,879	75,600,879
2035-40	34,350,000	17,511,731	51,861,731
2040-45	22,910,000	12,242,707	35,152,707
2045-50	18,525,000	8,785,900	27,310,900
2050-55	27,275,000	4,246,700	31,521,700
2055-56	6,790,000	135,800	6,925,800
Totals	<u>\$ 231,100,000</u>	<u>\$ 101,628,655</u>	<u>\$ 332,728,655</u>

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

#### B. Subscription-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2025, the District has recognized a right-to-use subscriptions IT asset of \$3.0 million net of amortization and a SBITA liability of \$325,063 related to these agreements. During the fiscal year, the District recorded \$1,442,463 in amortization expense. The District is required to make annual principal and interest payments through July 1, 2029. The subscriptions have interest rates of 2.63% to 5.0%. More information on SBITAs can be found in note 1.D., the summary of significant accounting policies.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2025-26	\$ 239,445	\$ 5,593	\$ 245,038
2026-27	27,656	3,553	31,209
2027-28	28,530	2,706	31,236
2028-29	29,432	2,762	32,194
Totals	\$ 325,063	\$ 14,614	\$ 339,677

#### C. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders may initiate foreclosure proceedings. Special assessment debt of \$173,000,000 as of June 30, 2025, does not represent debt of the District and, as such, does not appear in the financial statements.

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

For the fiscal year ended June 30, 2025, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 26,726,355	\$ 2,804,826	\$ 13,621,592	\$ 1,371,137
MPP Program	826,963	-	-	(162,276)
Totals	\$ 27,553,318	\$ 2,804,826	\$ 13,621,592	\$ 1,208,861

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

The details of each plan are as follows:

**District Plan**

***Plan Description***

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

***Benefits Provided***

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

Following is a description of the current retiree plan:

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

***Employees Covered by Benefit Terms***

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

Inactive employees or beneficiaries currently receiving benefit payments	77
Active employees	1,784
Total	<u>1,861</u>

***Total OPEB Liability***

The District’s total OPEB liability of \$26,726,355 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

**District Plan (continued)**

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2024
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend rates	7.00% for 2025 decreasing to 5.4% for 2029 5.25% for 2030-2034, 4.6% for 2035-49 4.5% for 2050-64, 4.25% for 2065-74 and 4% for 2070 and later years; Medicare ages: 4.5% for all years.

Actuarial assumptions used in the July 1, 2024, valuation were based on a review of plan experience during the period July 1, 2022, to June 30, 2024.

***Discount Rate***

The discount rate is 5.20 percent per year net of expenses based on an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/AC or higher.

***Mortality Rates***

Following are the tables the mortality assumptions are based upon.

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

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

***Preretirement Mortality***

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

***Postretirement Mortality***

Certificated	Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018).
Classified	Postretirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

**District Plan (continued)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2024</b>	<u>\$ 31,883,965</u>
<b>Changes for the year:</b>	
Service cost	1,868,430
Interest	1,132,514
Differences between expected and actual experience	(4,751,005)
Changes of assumptions	(2,422,511)
Benefit payments	<u>(985,038)</u>
Net changes	<u>(5,157,610)</u>
<b>Balance at June 30, 2025</b>	<u><u>\$ 26,726,355</u></u>

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

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 28,696,498
Current discount rate	\$ 26,726,355
1% increase	\$ 24,855,346

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

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

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 23,710,863
Current trend rate	\$ 26,726,355
1% increase	\$ 30,250,033

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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

**District Plan (continued)**

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$1,371,137. In addition, at June 30, 2025, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,207,175
Changes of assumptions	2,804,826	5,414,417
Totals	<u>\$ 2,804,826</u>	<u>\$ 13,621,592</u>

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 1,111,111	\$ 2,740,918
2027	1,111,110	2,676,049
2028	496,070	2,537,219
2029	54,083	1,756,074
2030	32,452	1,114,112
Thereafter	-	2,797,220
Totals	<u>\$ 2,804,826</u>	<u>\$ 13,621,592</u>

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

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

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

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

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

As of June 30, 2024, 4,121 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with *Education Code* Section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

##### ***Total OPEB Liability***

At June 30, 2025, the District reported a liability of \$826,963 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2024, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<b>Percentage Share of MPP Program</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2025</b>	<b>Fiscal Year Ending June 30, 2024</b>	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net OPEB Liability	0.310249%	0.326011%	(0.015762%)

For the year ended June 30, 2025, the District reported OPEB expense of \$(162,276).

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	3.93%
Healthcare Cost Trend Rates	5.0% for Medicare Part A, and 6.5% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population of 132,333.

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

***Discount Rate***

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer’s 20-Bond GO Index from Bondbuyer.com as of June 30, 2025, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

***Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

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

<u>Discount Rate</u>	<u>MPP OPEB Liability</u>
1% decrease	\$ 892,274
Current discount rate	\$ 826,963
1% increase	\$ 769,536

***Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates***

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

<u>Medicare Cost Trend Rates</u>	<u>MPP OPEB Liability</u>
1% decrease	\$ 766,092
Current trend rate	\$ 826,963
1% increase	\$ 894,923

**NOTE 9 – PENSION PLANS**

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

For the fiscal year ended June 30, 2025, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 142,838,072	\$ 54,550,745	\$ 22,862,410	\$ 8,912,713
CalPERS	95,974,467	40,480,294	17,218,427	17,521,237
Totals	<u>\$ 238,812,539</u>	<u>\$ 95,031,039</u>	<u>\$ 40,080,837</u>	<u>\$ 26,433,950</u>

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

##### Benefits Provided

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

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<b>STRP Defined Benefit Program</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

**Contributions**

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers’ Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2025, are presented above, and the District's total contributions were \$26,676,543.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	142,838,072
State's proportionate share of the net pension liability associated with the District		65,534,599
Total	\$	<u>208,372,671</u>

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2025</u>	<u>Fiscal Year Ending June 30, 2024</u>	
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	
Proportion of the Net Pension Liability	0.212674%	0.220408%	(0.007734%)

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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

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

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

For the year ended June 30, 2025, the District recognized pension expense of \$8,912,713. In addition, the District recognized pension expense and revenue of \$(6,261,482) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 26,676,543	\$ -
Net change in proportionate share of net pension liability	11,092,116	6,284,491
Difference between projected and actual earnings on pension plan investments	-	576,346
Changes of assumptions	625,261	9,755,345
Differences between expected and actual experience	16,156,825	6,246,228
Totals	<u>\$ 54,550,745</u>	<u>\$ 22,862,410</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 2,066,852	\$ 11,286,686
2027	14,165,862	1,427,285
2028	2,760,999	2,679,934
2029	3,343,907	3,330,715
2030	3,845,817	1,659,756
Thereafter	1,690,765	2,478,034
Totals	<u>\$ 27,874,202</u>	<u>\$ 22,862,410</u>

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

**Actuarial Methods and Assumptions**

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2025, include:

Valuation Date	June 30, 2023
Experience Study	July 1, 2007, through June 30, 2022
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality amongst our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of the 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	38.0%	8.00%	5.25%
Real Estate	15.0%	6.80%	4.05%
Private Equity	14.0%	9.50%	6.75%
Fixed Income	14.0%	5.20%	2.45%
Risk Mitigating Strategies	10.0%	5.00%	2.25%
Inflation Sensitive	7.0%	6.40%	3.65%
Cash/Liquidity	2.0%	2.80%	0.05%

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

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

##### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 254,062,191
Current discount rate (7.10%)	\$ 142,838,072
1% increase (8.10%)	\$ 49,961,318

##### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$13,232,815.

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<b>Schools Pool (CalPERS)</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	27.05%	27.05%

**Contributions**

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the total District contributions were \$14,605,851.

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

### NOTE 9 – PENSION PLANS (continued)

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

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$95,974,467. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.268544%	0.288501%	(0.019957%)

For the year ended June 30, 2025, the District recognized pension expense of \$17,521,237. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,605,851	\$ -
Net change in proportionate share of net pension liability	1,432,107	5,984,675
Difference between projected and actual earnings on pension plan investments	14,274,920	10,546,866
Changes of assumptions	2,121,360	-
Differences between expected and actual experience	8,046,056	686,886
Totals	\$ 40,480,294	\$ 17,218,427

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 13,403,234	\$ 9,242,476
2027	10,290,391	2,709,652
2028	2,180,818	2,709,652
2029	-	2,556,647
2030	-	-
Thereafter	-	-
Totals	<u>\$ 25,874,443</u>	<u>\$ 17,218,427</u>

**Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Experience Study	2000-2019
Actuarial Cost Method	Individual entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

**Actuarial Methods and Assumptions (continued)**

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 142,570,871
Current discount rate (6.9%)	\$ 95,974,467
1% increase (7.9%)	\$ 57,482,127

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

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

**D. Payables to the Pension Plans**

At June 30, 2025, the District reported payables of \$154,792 and \$897,082 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2025.

## TUSTIN UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2025*

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#### **NOTE 10 – JOINT VENTURES**

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

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

#### **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards, and Grants**

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

##### **B. Construction Commitments**

As of June 30, 2025, the District had commitments with respect to unfinished capital projects of approximately \$8.7 million.

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

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2025.

#### **NOTE 12 – RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2025, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage. General and automobile liability coverage is \$5 million with no deductible and property coverage is replacement cost with a \$10,000 deductible. Excess coverage above these limits is provided by the Schools Excess Liability Fund (SELF) JPA. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

##### **Workers’ Compensation**

For fiscal year 2024-25, the District was self-funded for workers compensation for the first \$750,000 of each loss, with excess coverage provided through a commercial excess insurance policy up to a maximum limit of \$25 million.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 12 – RISK MANAGEMENT (continued)**

**Employee Medical Benefits**

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

**Claims Liability**

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

**Unpaid Claims Liabilities**

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2023, to June 30, 2025:

	Workers' Compensation
Liability Balance, July 1, 2023	\$ 2,066,578
Claims and changes in estimates	1,392,729
Claims payments	<u>(2,757,022)</u>
Liability Balance, June 30, 2024	702,285
Claims and changes in estimates	2,650,762
Claims payments	<u>(2,677,772)</u>
Liability Balance, June 30, 2025	<u>\$ 675,275</u>
Assets available to pay claims at June 30, 2025	<u>\$ 8,832,650</u>

**NOTE 13 – ADJUSTMENT FOR RESTATEMENT**

As discussed in Note 1 to the financial statements the District has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, prior year's liabilities on the Statement of Activities were restated as follows:

	Statement of Activities
Net position - July 1, 2024, as originally stated	\$ 657,325,053
Implementation of GASB 101	<u>(11,071,915)</u>
Net position - July 1, 2024, as restated	<u>\$ 646,253,138</u>

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*Required Supplementary Information*

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**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2025*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF sources	\$ 260,835,249	\$ 260,719,114	\$ 260,719,115	\$ 1
Federal sources	9,644,939	11,274,322	8,348,461	(2,925,861)
Other State sources	64,346,435	68,266,461	67,063,270	(1,203,191)
Other Local sources	14,981,801	41,614,454	36,134,396	(5,480,058)
<b>Total Revenues</b>	<b>349,808,424</b>	<b>381,874,351</b>	<b>372,265,242</b>	<b>(9,609,109)</b>
<b>Expenditures</b>				
Current:				
Certificated salaries	142,091,744	142,396,217	142,396,216	1
Classified salaries	62,106,609	56,347,824	56,347,823	1
Employee benefits	93,399,027	90,052,763	90,052,762	1
Books and supplies	16,183,187	19,001,317	9,415,608	9,585,709
Services and other operating expenditures	40,546,960	42,767,262	42,784,868	(17,606)
Transfers of indirect cost	(522,926)	(477,892)	(477,892)	-
Capital outlay	5,008,345	6,103,938	6,103,937	1
Intergovernmental transfers	5,290,548	5,076,350	5,154,738	(78,388)
<b>Total Expenditures</b>	<b>364,103,494</b>	<b>361,267,779</b>	<b>351,778,060</b>	<b>9,489,719</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(14,295,070)	20,606,572	20,487,182	(119,390)
<b>Other Financing Sources and Uses</b>				
Interfund transfers out	(3,500,000)	(6,823,774)	(6,823,774)	-
Proceeds from subscription arrangements	-	151,810	142,789	(9,021)
<b>Total Other Financing Sources and Uses</b>	<b>(3,500,000)</b>	<b>(6,671,964)</b>	<b>(6,680,985)</b>	<b>(9,021)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	(17,795,070)	13,934,608	13,806,197	(128,411)
Fund Balances, June 30, 2024	207,553,676	215,303,069	215,433,069	130,000
Fund Balances, June 30, 2025	\$ 189,758,606	\$ 229,237,677	229,239,266	\$ 1,589
<b>Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>				
			10,726,221	
			9,368,452	
<b>Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<b>\$ 249,333,939</b>	

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*  
*For the Fiscal Year Ended June 30, 2025*

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years				
	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20
District's proportion of the net pension liability	0.2127%	0.2204%	0.2059%	0.2056%	0.2062%
District's proportionate share of the net pension liability	\$ 142,838,072	\$ 167,864,776	\$ 143,093,370	\$ 93,559,676	\$ 199,854,642
State's proportionate share of the net pension liability associated with the District	65,534,599	80,428,735	71,660,601	47,075,600	103,025,091
Totals	\$ 208,372,671	\$ 248,293,511	\$ 214,753,971	\$ 140,635,276	\$ 302,879,733
District's covered-employee payroll	\$ 140,900,944	\$ 149,334,332	\$ 121,122,932	\$ 113,032,204	\$ 113,026,140
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.37%	112.41%	118.14%	82.77%	176.82%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Employer's Fiscal Year Measurement Period	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15
District's proportion of the net pension liability	0.2026%	0.2012%	0.2037%	0.2030%	0.2080%
District's proportionate share of the net pension liability	\$ 182,941,161	\$ 184,955,509	\$ 188,405,426	\$ 164,188,430	\$ 140,033,920
State's proportionate share of the net pension liability associated with the District	99,806,617	105,895,679	111,459,058	93,483,306	74,062,308
Totals	\$ 282,747,778	\$ 290,851,188	\$ 299,864,484	\$ 257,671,736	\$ 214,096,228
District's covered-employee payroll	\$ 110,335,670	\$ 108,075,662	\$ 109,128,959	\$ 102,439,748	\$ 95,210,923
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.80%	171.14%	172.64%	160.28%	147.08%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*  
*For the Fiscal Year Ended June 30, 2025*

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	<i>Last Ten Fiscal Years</i>				
<b>Employer's Fiscal Year Measurement Period</b>	<b>2024-25 2023-24</b>	<b>2023-24 2022-23</b>	<b>2022-23 2021-22</b>	<b>2021-22 2020-21</b>	<b>2020-21 2019-20</b>
District's proportion of the net pension liability	0.2685%	0.2885%	0.2875%	0.2837%	0.2737%
District's proportionate share of the net pension liability	\$ 95,974,467	\$ 104,434,319	\$ 98,912,543	\$ 57,697,376	\$ 83,976,713
District's covered-employee payroll	\$ 53,144,644	\$ 50,200,402	\$ 44,022,396	\$ 40,567,536	\$ 39,287,100
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.59%	208.03%	224.69%	142.23%	213.75%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
<b>Employer's Fiscal Year Measurement Period</b>	<b>2019-20 2018-19</b>	<b>2018-19 2017-18</b>	<b>2017-18 2016-17</b>	<b>2016-17 2015-16</b>	<b>2015-16 2014-15</b>
District's proportion of the net pension liability	0.2765%	0.2783%	0.2701%	0.2632%	0.2573%
District's proportionate share of the net pension liability	\$ 80,573,260	\$ 74,191,678	\$ 64,486,058	\$ 51,982,163	\$ 37,926,274
District's covered-employee payroll	\$ 37,936,502	\$ 36,680,954	\$ 34,400,173	\$ 31,604,288	\$ 28,447,600
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.39%	202.26%	187.46%	164.48%	133.32%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2025*

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Employer's Fiscal Year	Last Ten Fiscal Years				
	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	\$ 26,676,543	\$ 26,912,080	\$ 28,522,857	\$ 20,494,000	\$ 18,254,701
Contributions in relation to the contractually required contribution	26,676,543	26,912,080	28,522,857	20,494,000	18,254,701
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 139,667,766	\$ 140,900,944	\$ 149,334,332	\$ 121,122,932	\$ 113,032,204
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.92%	16.15%
Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	\$ 19,327,470	\$ 17,962,646	\$ 15,595,318	\$ 13,728,423	\$ 10,991,785
Contributions in relation to the contractually required contribution	19,327,470	17,962,646	15,595,318	13,728,423	10,991,785
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 113,026,140	\$ 110,335,670	\$ 108,075,662	\$ 109,128,959	\$ 102,439,748
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2025*

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*Last Ten Fiscal Years*

<b>Employer's Fiscal Year</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
Contractually required contribution	\$ 14,605,851	\$ 14,178,991	\$ 12,735,842	\$ 10,085,531	\$ 8,397,480
Contributions in relation to the contractually required contribution	<u>14,605,851</u>	<u>14,178,991</u>	<u>12,735,842</u>	<u>10,085,531</u>	<u>8,397,480</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 53,995,752</u>	<u>\$ 53,144,644</u>	<u>\$ 50,200,402</u>	<u>\$ 44,022,396</u>	<u>\$ 40,567,536</u>
Contributions as a percentage of covered-employee payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>

<b>Employer's Fiscal Year</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
Contractually required contribution	\$ 7,747,809	\$ 6,852,091	\$ 5,696,919	\$ 4,777,496	\$ 3,744,160
Contributions in relation to the contractually required contribution	<u>7,747,809</u>	<u>6,852,091</u>	<u>5,696,919</u>	<u>4,777,496</u>	<u>3,744,160</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 39,287,100</u>	<u>\$ 37,936,502</u>	<u>\$ 36,680,954</u>	<u>\$ 34,400,173</u>	<u>\$ 31,604,288</u>
Contributions as a percentage of covered-employee payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

# TUSTIN UNIFIED SCHOOL DISTRICT

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2025

Employer Fiscal Year End Measurement Period	Last Ten Fiscal Years*			
	2024-25	2023-24	2022-23	2021-22
	2024-25	2023-24	2022-23	2021-22
Total OPEB liability				
Service cost	\$ 1,868,430	\$ 1,532,164	\$ 1,531,380	\$ 2,127,358
Interest	1,132,514	1,215,254	1,118,788	725,997
Differences between expected and actual experience	(4,751,005)	-	(4,345,073)	-
Changes of assumptions or other inputs	(2,422,511)	(289,210)	411,033	(5,234,847)
Benefit payments	(985,038)	(1,040,816)	(1,049,321)	(1,002,675)
Net change in total OPEB liability	(5,157,610)	1,417,392	(2,333,193)	(3,384,167)
Total OPEB liability - beginning	31,883,965	30,466,573	32,799,766	36,183,933
Total OPEB liability - ending	\$ 26,726,355	\$ 31,883,965	\$ 30,466,573	\$ 32,799,766
Covered-employee payroll	\$ 176,687,007	\$ 178,107,958	\$ 170,906,960	\$ 146,031,467
Total OPEB liability as a percentage of covered-employee payroll	15.13%	17.90%	17.83%	22.46%
<b>Employer Fiscal Year End Measurement Period</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
Total OPEB liability				
Service cost	\$ 1,889,443	\$ 1,918,302	\$ 1,748,747	\$ 2,566,474
Interest	837,055	1,209,843	1,234,352	948,599
Differences between expected and actual experience	(3,425,501)	(145,313)	(148,063)	-
Changes of assumptions or other inputs	(1,346,949)	3,977,883	5,535,368	(628,089)
Benefit payments	(860,364)	(1,183,552)	(1,223,090)	(802,233)
Net change in total OPEB liability	(2,906,316)	5,777,163	7,147,314	2,084,751
Total OPEB liability - beginning	39,090,249	33,313,086	26,165,772	24,081,021
Total OPEB liability - ending	\$ 36,183,933	\$ 39,090,249	\$ 33,313,086	\$ 26,165,772
Covered-employee payroll	\$ 132,673,447	\$ 165,081,466	\$ 160,273,268	\$ 143,837,848
Total OPEB liability as a percentage of covered-employee payroll	27.27%	23.68%	20.79%	18.19%

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

## TUSTIN UNIFIED SCHOOL DISTRICT

### Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program For the Fiscal Year Ended June 30, 2025

Employer Fiscal Year End Measurement Period	Last Ten Fiscal Years*			
	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21
District's proportion of net OPEB liability	0.3102%	0.3260%	0.3091%	0.3090%
District's proportionate share of net OPEB liability	\$ 826,963	\$ 989,239	\$ 1,018,080	\$ 1,232,626
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Employer Fiscal Year End Measurement Period	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.3125%	0.3131%	0.3165%	0.3242%
District's proportionate share of net OPEB liability	\$ 1,324,498	\$ 1,165,843	\$ 1,211,321	\$ 1,364,137
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

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

# TUSTIN UNIFIED SCHOOL DISTRICT

## Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

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### NOTE 1 – PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

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

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

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

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

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

#### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

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

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

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

*Change of assumptions* – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.97 percent to 5.20 percent since the previous valuation.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2025*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

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

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

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

*Change of assumptions* – The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

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*Supplementary Information*

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**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2025*

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Regular &amp; Extended Year ADA:</b>		
Grades TK/K-3	5,637.82	5,651.22
Grades 4-6	4,494.86	4,500.06
Grades 7-8	3,153.26	3,155.08
Grades 9-12	<u>7,039.10</u>	<u>7,028.90</u>
Total Regular & Extended Year ADA	<u>20,325.04</u>	<u>20,335.26</u>
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Grades TK/K-3	3.14	3.29
Grades 4-6	2.19	3.44
Grades 7-8	2.81	2.93
Grades 9-12	<u>11.81</u>	<u>12.24</u>
Total Special Education, Nonpublic, Nonsectarian Schools	<u>19.95</u>	<u>21.90</u>
Total ADA	<u><u>20,344.99</u></u>	<u><u>20,357.16</u></u>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2025*

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<u>Grade Level</u>	<u>Instructional Minute Requirement</u>	<u>Instructional Days Offered</u>	<u>Instructional Days Offered</u>	<u>Total</u>
Kindergarten	36,000	48,650	180	Complied
Grade 1	50,400	54,269	180	Complied
Grade 2	50,400	54,269	180	Complied
Grade 3	50,400	54,269	180	Complied
Grade 4	54,000	54,269	180	Complied
Grade 5	54,000	54,269	180	Complied
Grade 6	54,000	58,834	180	Complied
Grade 7	54,000	58,834	180	Complied
Grade 8	54,000	58,834	180	Complied
Grade 9	64,800	65,264	180	Complied
Grade 10	64,800	65,264	180	Complied
Grade 11	64,800	65,264	180	Complied
Grade 12	64,800	65,264	180	Complied

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2025*

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General Fund	(Budget) 2026 <sup>2</sup>	2025 <sup>3</sup>	2024	2023
Revenues and other financing sources	\$ 358,270,906	\$ 372,408,031	\$ 387,808,583	\$ 385,121,774
Expenditures	381,003,969	351,778,060	353,518,550	331,058,450
Other uses and transfers out	3,500,000	6,823,774	6,641,561	6,060,022
Total outgo	<u>384,503,969</u>	<u>358,601,834</u>	<u>360,160,111</u>	<u>337,118,472</u>
Change in fund balance (deficit)	<u>(26,233,063)</u>	<u>13,806,197</u>	<u>27,648,472</u>	<u>48,003,302</u>
Ending fund balance	<u>\$ 203,006,203</u>	<u>\$ 229,239,266</u>	<u>\$ 215,433,069</u>	<u>\$ 187,784,597</u>
Available reserves <sup>1</sup>	<u>\$ 11,535,120</u>	<u>\$ 10,754,426</u>	<u>\$ 10,805,759</u>	<u>\$ 10,192,050</u>
Available reserves as a percentage of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
Total long-term debt	<u>\$ 509,554,824</u>	<u>\$ 523,729,977</u>	<u>\$ 486,893,932</u>	<u>\$ 457,862,261</u>
Average daily attendance at P-2	<u>19,930</u>	<u>20,345</u>	<u>20,543</u>	<u>20,531</u>

The General Fund balance has increased by approximately \$41.5 million over the past two years. The fiscal year 2025-26 adopted budget projects a decrease of approximately \$26.2 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in each of the past three years but anticipates incurring an operating deficit during the 2025-26 fiscal year. Long-term debt has increased by \$65.9 million over the past two years.

Average daily attendance has decreased by 186 in the last two years. In 2025-26, ADA is projected to decrease by 415.

<sup>1</sup> Reserves consist of fund balances for economic uncertainties (3% recommended).

<sup>2</sup> Budget as of September 2025.

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

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2025*

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	<u>Building Fund</u>
June 30, 2025, annual financial and budget report (SACS) fund balances	\$ 94,833,327
Adjustments and reclassifications: Increasing (decreasing) the fund balance: Accounts payable overstated	<u>453,455</u>
June 30, 2025, audited financial statement fund balances	<u><u>\$ 95,286,782</u></u>

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2025*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 522,926	
School Breakfast Program - Especially Needy	10.553	13526	1,479,954	
National School Lunch Program	10.555	13523	4,518,071	
USDA Donated Foods	10.555	N/A	710,537	
Total Child Nutrition Cluster				\$ 7,231,488
Total U.S. Department of Agriculture				7,231,488
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Secondary Education	84.002	13978	160,346	
Adult Basic Education & ESL	84.002A	14508	186,892	
Total Adult Education Grants				347,238
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		1,985,219
Title II, Part A, Supporting Effective Instruction Local Grant	84.367	14341		480,759
Title III, English Learner Student Program	84.365	14346		367,752
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		255,892
Carl Perkins Act - Secondary	84.048	14894		154,536
COVID-19 Education Stabilization Fund:				
ARP - Homeless Children and Youth II (ARP HYC II)	84.425U	15566		82,515
Special Education Individuals				
with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	4,364,421	
Preschool Grants, Part B, Sec 619	84.173	13430	78,863	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	259,920	
Preschool Staff Development	84.173A	13431	1,006	
Alternate Dispute Resolution	84.173A	13007	12,941	
Total Special Education Cluster (IDEA)				4,717,151
Early Intervention Grants, Part C	84.181	23761		61,210
Workability II, Transition	84.126	10006		243,427
Total U.S. Department of Education				8,695,699
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	15136	358,133	
Child Care Mandatory and Matching Funds	93.596	13609	36,333	
Total CCDF Cluster				394,466
Total U.S. Department of Health & Human Services				394,466
Total Expenditures of Federal Awards				\$ 16,321,653

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

## TUSTIN UNIFIED SCHOOL DISTRICT

*Note to the Supplementary Information*

*June 30, 2025*

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### NOTE 1 – PURPOSE OF SCHEDULES

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

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

#### **Schedule of Financial Trends and Analysis**

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

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

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

#### **Schedule of Expenditures of Federal Awards**

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

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*Other Information*

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**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2025*

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

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Jonathan Stone	President	November, 2028
Lynn Davis	Vice President	November, 2026
Jonathan Ablove	Clerk	November, 2026
Dr. Kathy Copeland	Member	November, 2028
Allyson Muniz Damikolas	Member	November, 2028

**DISTRICT ADMINISTRATORS**

Mark Johnson, Ed.D.,  
*Superintendent*

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

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

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

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

Harold Sullins,  
*Chief Financial Officer*

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

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*Other Independent Auditors' Reports*

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

Board of Education  
Tustin Unified School District  
Tustin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tustin Unified School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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



Murrieta, California  
January 7, 2026



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

*A Professional Accountancy Corporation*

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

Board of Education  
Tustin Unified School District  
Tustin, California

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

***Opinion in Each Major Federal Program***

We have audited the Tustin Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Tustin Unified School District's major federal programs for the year ended June 30, 2025. The Tustin Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Tustin Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

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

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

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

Nixie + Nixie, PC.

Murrieta, California  
January 7, 2026

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education  
Tustin Unified School District  
Tustin, California

### Report on Compliance

#### *Opinion*

We have audited the Tustin Unified School District's (District) compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, Tustin Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

#### *Basis for Opinion*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### *Responsibilities of Management for Compliance*

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

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2024-25 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the 2024-25 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 2024-25 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

<b>Description</b>	<b>Procedures Performed</b>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Description	Procedures Performed
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

**Report on Internal Control over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Nijo + Nijo, PC.*

Murrieta, California  
January 7, 2026

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*Schedule of Findings and Questioned Costs*

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**TUSTIN UNIFIED SCHOOL DISTRICT**

*Summary of Auditors' Results*

*For the Fiscal Year Ended June 30, 2025*

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***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A	
84.173, 84.173A	<u>Special Education Cluster (IDEA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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**TUSTIN UNIFIED SCHOOL DISTRICT**

*Financial Statement Findings*

*For the Fiscal Year Ended June 30, 2025*

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

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

*There were no financial statement findings in 2024-25.*

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Federal Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2025*

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

*There were no federal award findings or questioned costs in 2024-25.*

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*State Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2025*

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

*There were no state award findings or questioned costs in 2024-25.*

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2025*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2024-001: Independent Study</i>	<p>Pursuant to Education Code Section 51744-51749.6, every written independent study agreement is required to contain the following required elements:</p> <ol style="list-style-type: none"> <li>1. The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress, and for communicating with a pupil's parent or guardian regarding a pupil's academic progress.</li> <li>2. The objectives and methods of study (pupil activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's work.</li> <li>3. The methods utilized used to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which the pupils achieved the objectives set forth in the written assignment)</li> <li>4. The specific resources, including materials and personnel, to be made available to the pupils (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils on the same terms as the terms on which they are normally available to all pupils). These resources shall include confirming or providing access to all pupils to the connectivity and devices adequate to participate in the educational program and complete assigned work.</li> </ol>	10000	We recommend that all independent study contracts be updated to reflect all required elements and school sites monitor signatures more carefully to ensure compliance.	Implemented.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2025*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2024-001: Independent Study</i>	<p>5. A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code Section 51747:</p> <ul style="list-style-type: none"><li>A. The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and</li><li>B. The level of satisfactory educational progress as defined in Education Code Section 51747(b)(2)(A)-(D); and</li><li>C. The number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interests to continue in independent study.</li></ul>	10000		
	<p>6. The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement, with no agreement being for longer than one school year.</p>			
	<p>7. A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion.</p>			
	<p>8. A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas, such as English learners, individuals with exceptional needs in order to be consistent with the pupil's individualized education program or plan pursuant to Education Code Section 504 of the federal Rehabilitation Act of 1973 (29 U.S.C. Sec. 794), pupils in foster care or experiencing homelessness, and pupils requiring mental health supports.</p>			

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2025*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2024-001: Independent Study</i>	<p>A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate.</p> <p>During testing of independent study attendance, we noted the following elements were missing from one agreement at Hillview Continuation:</p> <ul style="list-style-type: none"> <li>• Specific resources, including materials and personnel, to be made available by the District. Shall include confirming or providing access to the connectivity and devices adequate to participate in the program and complete work.</li> <li>• The number of assignments a pupil may miss before there must be an evaluation of whether independent study is in the pupil’s best interest</li> </ul> <p>We also noted instances of missing signatures or signatures beyond the 10 schooldays for a student scheduled for less than 15 schooldays.</p> <p>The total ADA by grade span for non-compliant independent study is documented in the Schedule of ADA in the supplementary information section.</p>	10000		

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2025*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2024-002: Independent Study Ratio</i>	<p>Pursuant to Education Code section 51745.6, the ratio of average daily attendance for independent study pupils 18 years of age or less to school district full-time equivalent certificated employees responsible for independent study, calculated as specified by the department, shall not exceed the equivalent ratio of average daily attendance to full-time equivalent certificated employees providing instruction in other educational programs operated by the school district, unless a new higher or lower average daily attendance ratio for all other educational programs offered is negotiated in a collective bargaining agreement or a memorandum of understanding is entered into that indicates an existing collective bargaining agreement contains an alternative average daily attendance ratio.</p> <p>The District's ratio of average daily attendance for independent study pupils to school district full-time equivalent certificated employees responsible for independent study exceeded the equivalent ratio of average daily attendance to full-time equivalent certificated employees providing instruction in other educational programs operated by the school district.</p>	10000	We recommend the District monitor this ratio before submitting final attendance reports. If excess ADA is identified, it will need to be reported by grade span on line B-2 of the P-2 and Annual.	Implemented.
<i>Finding 2024-003: Comprehensive School Safety Plans</i>	<p>Education Code section 32286 states that each school shall adopt its comprehensive school safety plan by March 1, 2000, and shall review and update its plan by March 1, every year thereafter.</p> <p>Tustin Connect did not have their plan updated by the school safety planning committee by March 1st.</p>	40000	We recommend all school sites be reminded of the March 1st requirement.	Implemented.
<i>Finding 2024-004: Instructional Materials</i>	<p>Education Code Section 60119 states that a public hearing shall be held at a time that will encourage the attendance of teachers and parents and guardians of pupils who attend the schools in the school district and shall not take place during or immediately following school hours.</p> <p>The instructional materials public hearing was held on September 27, 2023, at 9 a.m. which is during school hours.</p>	70000	We recommend the District ensure that future public hearings are held at a time outside of school hours.	Implemented.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2025*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2024-005: Expanded Learning Opportunity Program</i>	<p>California Education Code Section 46120(b)(2)(D) states that the administrator shall ensure that the program maintains a pupil-to-staff member ratio of no more than 20 to 1, except programs serving transitional kindergarten or kindergarten pupils shall maintain a pupil-to-staff member ratio of no more than 10 to 1.</p> <p>It was noted that out of the six sites we tested, one was out of compliance with the pupil-to-staff ratio.</p>	40000	We recommend that the District ensure that every school site monitors the required ratios.	Implemented.
<i>Finding 2024-006: Attendance Accounting</i>	<p>California Education Code section 46000 states: Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter. Good internal controls require the District to review its pupil attendance reporting processes and ensure that attendance policies and procedures are maintained and followed at all school sites.</p> <p>During our review of ADA totals reported by the District to CDE, we noted the following misstatements:</p> <ul style="list-style-type: none"> <li>▪ Based on our recalculation, the District understated ADA reported on the P-2 Report of Attendance (Line-A-1) by the following amounts: <ul style="list-style-type: none"> <li>▪ 0.65 ADA in grades TK/K-3,</li> <li>▪ 3.05 ADA in grades 4-6,</li> <li>▪ 0.18 ADA in grades 7-8,</li> <li>▪ 1.49 ADA in grades 9-12</li> </ul> </li> <li>▪ Based on our recalculation, the District overstated ADA reported on the Annual Report of Attendance (Line-A-1) by the following amounts: <ul style="list-style-type: none"> <li>▪ 0.03 ADA in grades 7-8</li> </ul> </li> </ul>	10000	We recommend that the District develop policies and procedures, and implement controls, to ensure that pupil attendance is recorded and reported consistently and accurately.	Implemented.

**TUSTIN UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2025*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2024-006: Attendance Accounting</i>	<ul style="list-style-type: none"> <li>▪ Based on our recalculation, the District understated ADA reported on the Annual Report of Attendance (Line-A-1) by the following amounts:                             <ul style="list-style-type: none"> <li>▪ 131.65 ADA in grades 9-12</li> </ul> </li> </ul>	10000		



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

In planning and performing our audit of the basic financial statements of the Tustin Unified School District for the year ending June 30, 2025, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 7, 2026, on the financial statements of the Tustin Unified School District.

#### ***ATTENDANCE***

***Observation:*** During our testing of attendance, we noted teachers did not certify their attendance on a contemporaneous basis at Foothill High School (1 of 5 teachers tested) and Red Hill Elementary (1 of 4 teachers tested).

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

#### ***DISTRICT OFFICE***

***Observation:*** During our testing of bank reconciliations at the district office it was noted that there were 4 stale dated checks ranging from 2019 to 2022 in the revolving cash account and one in the IRC 125 account dated March 2024.

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

***Observation:*** During our testing of cash disbursements at the district office it was noted that 9 of 71 disbursements tested lacked pre-approval.

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

**ASSOCIATED STUDENT BODY (ASB)**

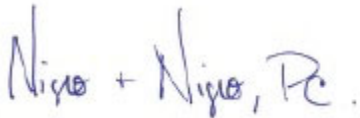
**Observation:** During cash disbursement testing the following was noted at Foothill High, 3 of the 25 disbursements tested were shipped to personal addresses. Adequate supporting documentation was not provided for certain disbursements at Tustin High and Foothill High. Additionally, various expenditures were lacking pre-approval at Utt Middle, Foothill, Tustin, and Beckman High Schools.

**Recommendation:** Delivery to personal addresses is discouraged in favor of shipping to the school site to ensure the goods are received for the benefit of the students. As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Additionally, supporting documentation such as the original invoice and purchase order should be maintained for all transactions.

**Observation:** During our cash receipts testing we noted discrepancies at Utt Middle, Foothill High, and Tustin High. At Utt Middle, 2 of the 10 receipts tested lacked a second signature on tally sheets. At Foothill High, 1 of the 10 receipts tested did not have a reconciliation of ticket sales. At Tustin High, 3 of the 10 receipts tested lacked a second signature on the cash collection sheet.

**Recommendation:** We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraising sales. Cash count forms should be signed by the individual responsible for the cash and a witness.

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



Murrieta, California  
January 7, 2026