CAPISTRANO UNIFIED SCHOOL DISTRICT

ORANGE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2022

NIGRO & NIGRO PC

CAPISTRANO UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2022
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, 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 Capistrano Unified School District, as of and for the fiscal year ended June 30, 2022, 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 Capistrano Unified School District, as of June 30, 2022, 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 *2021-22 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, except for the LEA Organization Structure and the Schedule of Charter Schools, 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, except for the LEA Organization Structure and the Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure and the Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated October 3, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Nigro & Nigro, PC

Murrieta, California
October 3, 2022

This discussion and analysis of Capistrano Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. 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 $57.3 million, or 17.5%.
- Governmental expenses were about $548.9 million. Revenues were about $606.2 million.
- The District acquired over $18.0 million in new capital assets during the year.
- Governmental funds increased by $6.8 million, or 4.1%.
- Reserves for the General Fund increased by $3.5 million or 6.5%. Revenues were $588.5 million, and expenditures and other financing uses were $585.6 million.

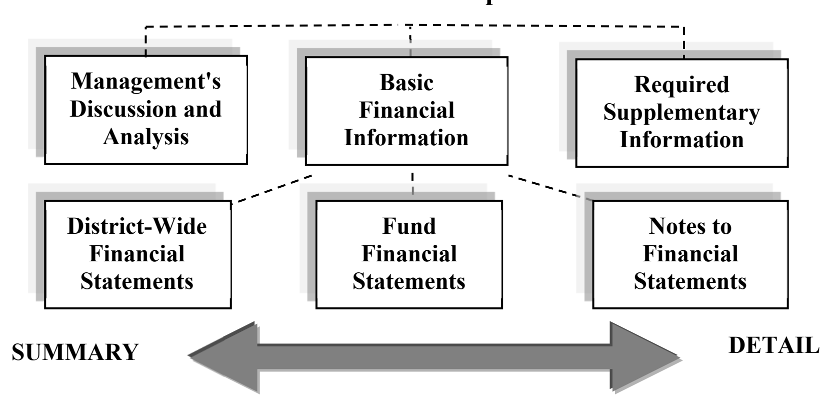
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
  - *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.

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



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 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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.

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, 2022, than it was the year before – increasing 17.5% to $384.5 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2022	**2021**	**Net Change**
Assets			
Current assets	$ 256,991,956	$ 233,700,534	$ 23,291,422
Capital assets	784,681,559	788,943,232	(4,261,673)
Total assets	1,041,673,515	1,022,643,766	19,029,749
Total deferred outflows of resources	129,347,885	145,194,783	(15,846,898)
Liabilities			
Current liabilities	53,144,812	38,470,692	14,674,120
Long-term liabilities	479,823,261	748,219,392	(268,396,131)
Total liabilities	532,968,073	786,690,084	(253,722,011)
Total deferred inflows of resources	253,543,331	53,952,381	199,590,950
Net position			
Net investment in capital assets	747,163,107	745,605,771	1,557,336
Restricted	113,065,262	114,267,237	(1,201,975)
Unrestricted	(475,718,373)	(532,676,924)	56,958,551
Total net position	$ 384,509,996	$ 327,196,084	$ 57,313,912

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues decreased 5.7% to $606.2 million (See Table A-2). The decrease is due primarily to the receipt of $59.7 million in state facilities grants in the previous year, partially offset by an increase of $13.2 million in property tax revenue.

The total cost of all programs and services decreased 12.7% to $548.9 million. The District's expenses are predominantly related to educating and caring for students, 84.8%. The purely administrative activities of the District accounted for just 3.8% of total costs. A significant contributor to the decrease in costs was the reduction of expenses related to the net pension liability.

Table A-2: Statement of Activities

	Governmental Activities		
	2022	**2021**	**Net Change**
Revenues			
Program Revenues:			
Charges for services	$ 22,595,965	$ 9,515,638	$ 13,080,327
Operating grants and contributions	121,845,498	125,348,887	(3,503,389)
Capital grants and contributions	308,708	59,715,938	(59,407,230)
General Revenues:			
Property taxes	401,607,627	388,377,297	13,230,330
Federal and state aid not restricted	52,370,899	43,984,569	8,386,330
Other general revenues	7,475,625	15,828,878	(8,353,253)
Total Revenues	606,204,322	642,771,207	(36,566,885)
Expenses			
Instruction-related	407,629,292	440,222,804	(32,593,512)
Pupil services	57,902,313	58,334,220	(431,907)
Administration	21,028,924	28,754,438	(7,725,514)
Plant services	51,613,066	52,114,501	(501,435)
All other activities	10,716,815	49,301,498	(38,584,683)
Total Expenses	548,890,410	628,727,461	(79,837,051)
Increase (decrease) in net position	$ 57,313,912	$ 14,043,746	$ 43,270,166
Total Net Position	$ 384,509,996	$ 327,196,084	

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 $173.7 million, which is above last year's ending fund balance of $167.0 million. The primary cause of the increased fund balance is the issuance of new CFD bonds.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2021	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2022
Fund					
General Fund	$ 97,198,791	$ 588,453,961	$ 585,638,920	$ -	$ 100,013,832
Student Activities Fund	5,003,857	17,463,223	16,747,978	-	5,719,102
Child Development Fund	471,856	6,427,886	5,354,685	-	1,545,057
Cafeteria Fund	2,476,406	20,453,888	13,250,957	-	9,679,337
Deferred Maintenance Fund	2,093,329	3,007,571	3,118,018	-	1,982,882
Special Reserve Fund (Postemployment Benefits)	84,832	412	-	-	85,244
Capital Facilities Fund	4,248,297	2,601,768	5,101,737	2,156,881	3,905,209
County School Facilities Fund	24,369,025	308,708	388,084	(124,110)	24,165,539
Special Reserve Fund (Capital Outlay)	13,563,129	4,283,495	7,135,308	-	10,711,316
Capital Projects Fund for Blended Component Units	12,236,058	1,382,964	3,696,905	652,626	10,574,743
Bond Interest and Redemption Fund	5,217,150	5,425,676	5,471,753	188,000	5,359,073
	$ 166,962,730	$ 649,809,552	$ 645,904,345	$ 2,873,397	$ 173,741,334

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 $111.5 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $28.3 million to reflect revised cost estimates.
- Other non-personnel expenses – increased $30.3 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about $1.3 million, the actual results for the year show that revenues exceeded expenditures by roughly $2.8 million. Actual revenues were $53.9 million less than anticipated, and expenditures were $55.4 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2021, that will be carried over into the 2021-22 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021-22 the District had acquired $18.0 million in new capital assets, related to land, construction in progress, site improvements, 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 $22.3 million.

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

	Governmental Activities		
	2022	2021	Net Change
Land	$ 322,300,330	$ 321,438,330	$ 862,000
Improvement of sites	17,099,936	12,763,318	4,336,618
Buildings	392,217,034	356,277,055	35,939,979
Equipment	9,635,933	10,709,387	(1,073,454)
Construction in progress	43,428,326	87,755,142	(44,326,816)
Total	$ 784,681,559	$ 788,943,232	$ (4,261,673)

Long-Term Debt

At year-end the District had $479.8 million in long-term liabilities – a decrease of 35.9% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		
	2022	2021	Net Change
General obligation bonds	$ 20,752,678	$ 25,814,356	$ (5,061,678)
Certificates of participation	23,370,995	25,257,701	(1,886,706)
Financed purchases	569,828	673,107	(103,279)
Compensated absences	5,258,883	4,940,381	318,502
Supplemental early retirement plan	3,238,548	6,477,097	(3,238,549)
Claims liability	19,403,213	18,424,647	978,566
Other postemployment benefits	112,640,528	120,167,603	(7,527,075)
Net pension liability	294,588,588	546,464,500	(251,875,912)
Total	$ 479,823,261	$ 748,219,392	$ (268,396,131)

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed a final budget package on June 29, 2022. The budget package assumes that 2022-23 will end with nearly $28 billion in total reserves. This consists of: (1) $23.3 billion in the Budget Stabilization Account; (2) $3.5 billion in the Special Fund for Economic Uncertainties (SFEU); and (3) $900 million in the Safety Net Reserve, which is available for spending on the State's safety net programs, like Medi-Cal. In addition to the general-purpose reserves described above, the Proposition 98 Reserve (dedicated to school and community college spending) would reach $9.5 billion under the spending plan.

Federal Funds Expected to Decline Significantly Between 2021-22 and 2022-23

In the budget federal funds decline $175 billion, or 55 percent, between 2021-22 and 2022-23. This decline is the result of several significant federal programs enacted in response to COVID-19 expiring in 2022-23. For example, the enhanced Federal Medical Assistance Percentage for the State's Medicaid program (which the administration assumes will expire in December 2022) and $27 billion in fiscal relief funding from the American Rescue Plan. However, there are also some increases in federal funds in 2022-23 related to the Infrastructure Investment and Jobs Act.

Significant Increase in School and Community College Funding

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in State General Fund revenue. For 2021-22, the guarantee is up $16.5 billion (17.6 percent) compared with the estimates made in June 2021. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. For 2022-23, the guarantee increases by an additional $117 million (0.1 percent) relative to the revised 2021-22 level.

Makes Required Reserve Deposit and Funds New Programs

When the minimum funding requirement is growing quickly, the Constitution requires the State to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the State deposits a total of $9.5 billion into this account across the 2020-21 through 2022-23 period—an increase of $4.5 billion compared with the estimates made in June 2021. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, the largest ongoing augmentation is $7.9 billion to provide a 13 percent increase to the Local Control Funding Formula and provide greater fiscal stability to school districts experiencing declining attendance. The budget plan also includes $12.1 billion in one-time funding for two K-12 block grants—$7.9 billion focused on learning recovery and $3.6 billion intended for arts, music, and instructional materials. In addition, the budget plan includes $841 million one time for facilities maintenance and instructional equipment and $650 million one time for a COVID-19 block grant.

Adjusts Guarantee Upwards for Expansion of Transitional Kindergarten

The June 2021 budget plan established a plan to expand eligibility for transitional kindergarten beginning in 2022-23. Under the plan, all four-year old children will be eligible by 2025-26. (Previously, only children born between September 2 and December 2 were eligible.) The Legislature and Governor also agreed the State would cover the associated costs by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools. Consistent with this agreement, the budget plan includes an increase in the 2022-23 guarantee of $614 million related to the first-year costs of the expansion.

School Facilities Grants

The budget allocates $1.4 billion (non-Proposition 98 General Fund) attributable to 2021-22 for school facilities grants. Of this total, $1.3 billion is to cover the State share for new construction and modernization projects under the School Facilities Program. These funds supplement existing funds from Proposition 51, the State school bond approved by voters in 2016. (Funding from Proposition 51 will likely be exhausted in 2022-23.) The remaining $100 million is for schools to construct or renovate State Preschool, transitional kindergarten, and full-day kindergarten classrooms.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Reserve Cap Triggered
As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves has been triggered for the 2022-23 budget period, pursuant to Education Code (EC) Section 42127.01(e). Beginning with the 2022-23 fiscal year, the district reserve cap requires that a school district's adopted or revised budget pursuant to EC Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10 percent of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay shall also be included within the 10 percent reserve cap. The reserve cap requirement does not apply to small school districts or basic aid school districts pursuant to EC Section 42127.01(c).

All of these factors were considered in preparing the Capistrano Unified School District budget for the 2022-23 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 those listed below at Capistrano Unified School District, 33122 Valle Road, San Juan Capistrano, California 92675:

Clark Hampton, Deputy Superintendent, Business and Support Services, 949-234-9211, cdhampton@ capousd.org and Philippa Townsend, Assistant Superintendent, Fiscal Services, 949-234-9316, pktownsend@ capousd.org.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Deposits and investments	$ 206,969,677
Accounts receivable	49,226,137
Prepaid expenses	62,878
Inventories	433,264
Other current assets	300,000
Capital assets:	
Non-depreciable capital assets	365,728,656
Depreciable capital assets	880,086,078
Less accumulated depreciation	(461,133,175)
Total assets	1,041,673,515
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	358,644
Deferred outflows related to OPEB	3,634,665
Deferred outflows related to pensions	125,354,576
Total deferred outflows of resources	129,347,885
LIABILITIES	
Accounts payable	38,109,001
Accrued interest payable	140,320
Unearned revenue	14,895,491
Noncurrent liabilities:	
Due or payable within one year	10,801,020
Due in more than one year:	
Other than OPEB and pensions	61,793,125
Total OPEB liability	112,640,528
Net pension liability	294,588,588
Total liabilities	532,968,073
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	906,375
Deferred inflows related to OPEB	15,375,188
Deferred inflows related to pensions	237,261,768
Total deferred inflows of resources	253,543,331
NET POSITION	
Net investment in capital assets	747,163,107
Restricted for:	
Capital projects	49,356,807
Debt service	5,359,073
Student body activities	5,719,102
Self-insurance programs	10,842,917
Categorical programs	41,787,363
Unrestricted	(475,718,373)
Total net position	$ 384,509,996

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities:					
Instruction	$ 339,109,848	$ 499,190	$ 75,568,499	$ 308,708	$ (262,733,451)
Instruction-Related Services:					
Supervision of instruction	31,824,482	17,616,490	9,065,470	-	(5,142,522)
Instructional library, media and technology	2,469,990	-	116,395	-	(2,353,595)
School site administration	34,224,972	26,643	(262,065)	-	(34,460,394)
Pupil Support Services:					
Home-to-school transportation	11,950,400	-	29,057	-	(11,921,343)
Food services	12,630,508	553,290	19,642,684	-	7,565,466
All other pupil services	33,321,405	9,422	7,786,778	-	(25,525,205)
General Administration Services:					
Data processing services	8,866,917	17,521	480,158	-	(8,369,238)
Other general administration	12,162,007	61,056	4,634,781	-	(7,466,170)
Plant services	51,613,066	22,522	170,707	-	(51,419,837)
Ancillary services	3,855,323	-	(192,912)	-	(4,048,235)
Community services	339	-	-	-	(339)
Enterprise activities	987,500	-	4,473	-	(983,027)
Interest on long-term debt	853,856	-	-	-	(853,856)
Other outgo	5,019,797	3,789,831	4,801,473	-	3,571,507
Total Governmental Activities	$ 548,890,410	$ 22,595,965	$ 121,845,498	$ 308,708	(404,140,239)

General Revenues:	
Property taxes	401,607,627
Federal and state aid not restricted to specific purpose	52,370,899
Interest and investment earnings	634,786
Interagency revenues	112,196
Miscellaneous	6,728,643
Subtotal general revenues	461,454,151
Change in net position	57,313,912
Net position - July 1, 2021	327,196,084
Net position - June 30, 2022	$ 384,509,996

CAPISTRANO UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2022

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 107,957,093	$ 24,343,053	$ 45,044,097	$ 177,344,243
Accounts receivable	41,022,832	13,176	7,271,663	48,307,671
Due from other funds	314,666	570	124,325	439,561
Stores inventories	94,981	-	338,283	433,264
Prepaid expenditures	52,457	-	10,421	62,878
Other current assets	300,000	-	-	300,000
Total Assets	$ 149,742,029	$ 24,356,799	$ 52,788,789	$ 226,887,617
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 34,143,756	$ 66,580	$ 3,451,847	$ 37,662,183
Due to other funds	141,507	124,680	322,422	588,609
Unearned revenue	13,374,808	-	1,520,683	14,895,491
Total Liabilities	47,660,071	191,260	5,294,952	53,146,283
Fund Balances				
Nonspendable	322,438	-	361,454	683,892
Restricted	30,562,970	24,165,539	44,979,488	99,707,997
Assigned	13,209,784	-	2,158,395	15,368,179
Unassigned	57,986,766	-	(5,500)	57,981,266
Total Fund Balances	102,081,958	24,165,539	47,493,837	173,741,334
Total Liabilities and Fund Balances	$ 149,742,029	$ 24,356,799	$ 52,788,789	$ 226,887,617

Total fund balances - governmental funds		$	173,741,334
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets at historical cost:	1,245,814,734		
Accumulated depreciation:	(461,133,175)		
Net:			784,681,559
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:			(140,320)
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. The remaining deferred amounts on refunding at the end of the period were:			
Deferred outflows of resources	358,644		
Deferred inflows of resources	(906,375)		
Total			(547,731)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds payable	20,752,678		
Certificates of participation payable	23,370,995		
Financed purchases	569,828		
Compensated absences payable	5,258,883		
Supplemental early retirement plan	3,238,548		
Other postemployment benefits	112,640,528		
Net pension liability	294,588,588		
Total			(460,420,048)
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. Deferred outflows and inflows relating to OPEB for the period were:			
Deferred outflows of resources	3,634,665		
Deferred inflows of resources	(15,375,188)		
Total			(11,740,523)
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 inflows and			
Deferred outflows of resources	125,354,576		
Deferred inflows of resources	(237,261,768)		
Total			(111,907,192)
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 internal service funds is:			10,842,917
Total net position - governmental activities		$	384,509,996

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 433,773,372	$ -	$ -	$ 433,773,372
Federal sources	42,936,190	-	18,870,790	61,806,980
Other state sources	104,002,533	182,761	4,987,756	109,173,050
Other local sources	10,749,849	125,947	34,180,354	45,056,150
Total Revenues	591,461,944	308,708	58,038,900	649,809,552
EXPENDITURES				
Current:				
Instruction	388,622,343	-	3,749,562	392,371,905
Instruction-Related Services:				
Supervision of instruction	15,879,101	-	1,122,437	17,001,538
Instructional library, media and technology	2,535,689	-	-	2,535,689
School site administration	39,445,595	-	141,603	39,587,198
Pupil Support Services:				
Home-to-school transportation	12,402,112	-	-	12,402,112
Food services	-	-	12,909,464	12,909,464
All other pupil services	37,708,094	-	51,585	37,759,679
Ancillary services	4,269,618	-	16,747,978	21,017,596
Community services	339	-	-	339
Enterprise activities	(5,853)	-	-	(5,853)
General Administration Services:				
Data processing services	9,101,294	-	-	9,101,294
Other general administration	15,977,876	-	583,512	16,561,388
Transfers of indirect costs	(600,991)	-	600,991	-
Plant services	51,885,013	-	30,000	51,915,013
Capital outlay	3,424,436	388,084	14,010,645	17,823,165
Intergovernmental transfers	6,642,400	-	10	6,642,410
Debt service:				
Issuance costs	-	-	94,000	94,000
Principal	635,000	-	4,225,631	4,860,631
Interest	834,872	-	2,491,905	3,326,777
Total Expenditures	588,756,938	388,084	56,759,323	645,904,345
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,705,006	(79,376)	1,279,577	3,905,207
OTHER FINANCING SOURCES (USES)				
Issuance of debt - refunding bonds	-	-	7,601,200	7,601,200
All other financing sources	-	(124,110)	2,903,507	2,779,397
Transfer to escrow agent for defeased debt	-	-	(7,507,200)	(7,507,200)
Total Other Financing Sources and Uses	-	(124,110)	2,997,507	2,873,397
Net Change in Fund Balances	2,705,006	(203,486)	4,277,084	6,778,604
Fund Balances - July 1, 2021	99,376,952	24,369,025	43,216,753	166,962,730
Fund Balances - June 30, 2022	$ 102,081,958	$ 24,165,539	$ 47,493,837	$ 173,741,334

CAPISTRANO 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, 2022

Total net change in fund balances - governmental funds			$	6,778,604
Amounts reported for governmental *activities* in the statement of activities are different because:				
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:				
	Expenditures for capital outlay	18,042,517		
	Depreciation expense	(22,304,190)		(4,261,673)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:				12,326,431
In governmental funds, issuances of debt are recognized as other financing sources. In the government-wide statements, issuances from debt are reported as increases to liabilities. Amounts recognized in governmental funds, net of issue premium were:				(7,601,200)
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 governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was:				(995,961)
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was:				1,232,654
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums or discount for the period was:				1,093,778
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:				123,578
In the statement of activities, compensated absences 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).				(318,502)
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, including early retirement incentives. This year, expenses incurred for such obligations were:				3,238,549
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:				47,984,735
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was:				(3,023,635)
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.				736,554
Change in net position of governmental activities			$	57,313,912

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Net Position – Proprietary Fund
June 30, 2022

		Governmental Activities
		Internal Service Funds
ASSETS		
Curret Assets		
Deposits and investments	$	29,625,434
Accounts receivable		918,466
Due from other funds		149,299
Total Assets		30,693,199
LIABILITIES		
Current Liabilities		
Accrued liabilities		446,818
Due to other funds		251
Total current liabilities		447,069
Non-Current Liabilities		
Claims liability		19,403,213
Total Liabilities		19,850,282
NET POSITION		
Restricted	$	10,842,917

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
State revenues	$ 4,330
Charges to other funds	73,352,506
All other fees and contracts	132,753
Other local revenues	484
Total operating revenues	73,490,073
OPERATING EXPENSES	
Salaries and benefits	591,302
Supplies and materials	3,554
Services and other operating expenses	72,295,927
Total operating expenses	72,890,783
Operating Income (Loss)	599,290
NON-OPERATING REVENUES	
Interest income	137,264
Change in net position	736,554
Net position, July 1, 2021	10,106,363
Net position, June 30, 2022	$ 10,842,917

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 73,336,503
Cash received from all other sources	137,083
Cash payments for payroll, insurance and operating costs	(71,804,405)
Net cash provided (used) by operating activities	1,669,181
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	137,264
Net increase (decrease) in cash and cash equivalents	1,806,445
Cash, July 1, 2021	27,818,989
Cash, June 30, 2022	$ 29,625,434
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 599,290
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(68,006)
(Increase) decrease in due from other funds	51,519
Increase (decrease) in accounts payable	107,561
Increase (decrease) in due to other funds	251
Increase (decrease) in claims liability	978,566
Net cash provided (used) by operating activities	$ 1,669,181

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2022

		Debt Service Funds for Special Tax Bonds
ASSETS		
Deposits and investments	$	22,487,098
Accounts receivable		12,254
Total Assets		22,499,352
LIABILITIES		
Accounts payable		-
NET POSITION		
Restricted for CFD debt service	$	22,499,352

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
June 30, 2022

		Debt Service Funds for Special Tax Bonds
ADDITIONS		
Local property taxes	$	18,441,494
Interest		18,572
Total Additions		18,460,066
DEDUCTIONS		
General administration		1,175
Debt service - interest		6,687,572
Debt service - principal		11,040,000
All other transfers out		652,616
Total Deductions		18,381,363
Change in fiduciary net position		78,703
Net position - July 1, 2021		22,420,649
Net position - June 30, 2022	$	22,499,352

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capistrano 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 Capistrano USD Financing Authority (the "Authority") and Capistrano USD Financing Corporation (the "Corporation") financial activity are presented in the financial statements as the Debt Service 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 or the Corporation.

The Capistrano Unified School District Community Facilities Districts' (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 available for the CFDs through the Business Office.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

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

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

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 Postemployment Benefits. These funds do not meet the definition of special revenue funds as they are not primarily 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.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

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.

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

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

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

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

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

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

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

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

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 the 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 funds:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

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

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or custodial capacity for others that cannot be used to support the District's own programs. The key distinction between trust and custodial funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)
As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

2. Inventories
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.

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	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	5-20 years

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

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

5. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

7. Leases

Lessee:
At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor:
At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases (continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

8. 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.

9. 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.

10. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balances (continued)

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.

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

The District's minimum reserve standard is 2% as per the recommended level for districts with more 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 Board of Trustees has provided otherwise in its commitment or assignment actions.

G. Property Tax Calendar

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

H. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Governmental funds	$ 177,344,243
Proprietary funds	29,625,434
Governmental Activities	206,969,677
Fiduciary funds	22,487,098
Total deposits and investments	$ 229,456,775

Deposits and investments as of June 30, 2022 consist of the following:

Cash on hand and in banks	$ 5,937,898
Cash in revolving fund	867,750
Investments	222,651,127
Total deposits and investments	$ 229,456,775

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2022, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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

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

As of June 30, 2022, $6.0 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2022, consist of the following:

			Maturity		
	Rating	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:					
U.S. Bank First American Treasury Obligations	AA	$ 34,914,419	$ 34,914,419	$ -	Level 2
Orange County Investment Pool	N/A	187,736,708	187,736,708	-	Uncategorized
Total Investments		$ 222,651,127	$ 222,651,127	$ -	

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2022, 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, 2022, the District had the following investments that represents more than five percent of the District's net investments, other than the County Pool.

First America Treasury Obligations	
U.S. Bank First American Treasury Obligations	100%

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, 2022, consisted of the following:

	Governmental Activities					
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Funds	Fiduciary Funds
Federal Government:						
Categorical aid programs	$ 27,338,918	$ -	$ 3,238,691	$ 30,577,609	$ -	$ -
State Government:						
LCFF sources	3,926,977	-	-	3,926,977	-	-
Lottery	2,255,451	-	-	2,255,451	-	-
Categorical aid programs	2,641,081	-	1,813,602	4,454,683	-	-
Local:						
Interest	73,945	13,176	22,250	109,371	14,298	12,254
Other local	4,786,460	-	2,197,120	6,983,580	904,168	-
Total	$ 41,022,832	$ 13,176	$ 7,271,663	$ 48,307,671	$ 918,466	$ 12,254

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2022, consisted of the following:

	Due From Other Funds					
	General Fund	County School Services Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	Total
General Fund	$ -	$ -	$ 180	$ 180	$ 141,327	$ 141,507
County School Services Fund	-	570	124,110	124,680	-	124,680
Non-Major Governmental Funds	314,415	-	35	314,450	7,972	322,422
Self-Insurance Fund	251	-	-	251	-	251
Total	$ 314,666	$ 570	$ 124,325	$ 439,561	$ 149,299	$ 588,860

Child Development Fund due to General Fund for indirect costs	$ 182,258
Other non-major funds due to General Fund for indirect and miscellaneous expenses	132,157
County School Facilities Fund due to Capital Facilities Fund to offset payment to developer	124,110
General Fund due to Self-Insurance Fund for OPEB and Workers' Comp	141,327
Other miscellaneous interfund receivables/payables	9,008
Total	$ 588,860

NOTE 5 – FUND BALANCES

At June 30, 2022, fund balances of the District's governmental funds were classified as follows:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 175,000	$ -	$ 12,750	$ 187,750
Stores inventories	94,981	-	338,283	433,264
Prepaid expenditures	52,457	-	10,421	62,878
Total Nonspendable	322,438	-	361,454	683,892
Restricted:				
Categorical programs	30,562,970	-	1,545,057	32,108,027
Student body funds	-	-	5,719,102	5,719,102
Child nutrition program	-	-	9,323,383	9,323,383
Capital projects	-	24,165,539	23,032,873	47,198,412
Debt service	-	-	5,359,073	5,359,073
Total Restricted	30,562,970	24,165,539	44,979,488	99,707,997
Assigned:				
One-time funds	2,482,978	-	-	2,482,978
Technology refresh	406,425	-	-	406,425
Chromebook refresh	131,413	-	-	131,413
LCFF supplemental carryover	2,115,192	-	-	2,115,192
Library abatement carryover	161,596	-	-	161,596
Teacher development carryover	441,341	-	-	441,341
Site supply carrover	1,637,159	-	-	1,637,159
Education division carryover	1,421,602	-	-	1,421,602
Gift carryover	2,343,952	-	-	2,343,952
Deferred maintenance program	1,982,882	-	-	1,982,882
Other assignments	85,244	-	2,158,395	2,243,639
Total Assigned	13,209,784	-	2,158,395	15,368,179
Unassigned:				
Reserve for economic uncertainties	11,900,000	-	-	11,900,000
Remaining unassigned balances	46,086,766	-	(5,500)	46,081,266
Total Unassigned	57,986,766	-	(5,500)	57,981,266
Total	$ 102,081,958	$ 24,165,539	$ 47,493,837	$ 173,741,334

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance, July 1, 2021	Additions	Deletions	Balance, June 30, 2022
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 321,438,330	$ 862,000	$ -	$ 322,300,330
Construction in progress	87,755,142	14,131,482	58,458,298	43,428,326
Total capital assets not being depreciated	409,193,472	14,993,482	58,458,298	365,728,656
Capital assets being depreciated				
Site improvements	42,410,186	6,716,871	-	49,127,057
Buildings	733,048,358	54,130,637	-	787,178,995
Furniture and equipment	43,120,201	659,825	-	43,780,026
Total capital assets being depreciated	818,578,745	61,507,333	-	880,086,078
Less accumulated depreciation:				
Site improvements	(29,646,868)	(2,380,253)	-	(32,027,121)
Buildings	(376,771,303)	(18,190,658)	-	(394,961,961)
Furniture and equipment	(32,410,814)	(1,733,279)	-	(34,144,093)
Total accumulated depreciation	(438,828,985)	(22,304,190)	-	(461,133,175)
Governmental Activities Capital Assets, net	$ 788,943,232	$ 54,196,625	$ 58,458,298	$ 784,681,559

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	$ 20,854,417
Home-to-school transportation	557,605
Data processing	223,042
Plant services	669,126
Total	$ 22,304,190

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

Changes in long-term liabilities other than OPEB or pensions for the fiscal year ended June 30, 2022, were as follows:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 16,013,396	$ 7,601,200	$ 10,358,152	$ 13,256,444	$ 3,222,877
Accreted interest component	8,407,703	631,569	1,864,223	7,175,049	1,955,016
Unamortized issuance premium	1,393,257	-	1,072,072	321,185	321,185
Total - Bonds	25,814,356	8,232,769	13,294,447	20,752,678	5,499,078
Certificates of Participation:					
Principal repayments - 2012 Certificates	5,245,000	-	1,230,000	4,015,000	1,260,000
Principal repayments - 2017 Certificates	19,915,000	-	635,000	19,280,000	675,000
Unamortized issuance premium	97,701	-	21,706	75,995	21,706
Total - Certificates of participation	25,257,701	-	1,886,706	23,370,995	1,956,706
Financed Purchases	673,107	-	103,279	569,828	106,688
Compensated Absences	4,940,381	318,502	-	5,258,883	-
Supplemental Early Retirement Plan	6,477,097	-	3,238,549	3,238,548	3,238,548
Claims Liability	18,424,647	2,507,378	1,528,812	19,403,213	-
Totals	$ 81,587,289	$ 11,058,649	$ 20,051,793	$ 72,594,145	$ 10,801,020

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the Certificates of Participation are made by the Special Reserve Fund for Capital Outlay. Financed purchases are paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked. The supplemental early retirement plan will be paid from the General Fund. The claims liability will be paid by the Internal Service Fund.

A. General Obligation Bonds

1999 General Obligation Bonds, Series B
In February 2001, the Capistrano Unified School District issued both current and capital appreciation, 1999 General Obligation Bonds, Series B in the amount of $29,999,930, with the value of the capital appreciation bonds accreting $22,550,070, and an aggregate debt service balance of $52,550,000. The bonds have a final maturity occurring on August 1, 2025, with interest rates ranging from 4.00 to 5.10 percent. The bonds were issued for the acquisition, construction, and repair of schools.

2022 Refunding Bonds
On May 5, 2022, the District (School Facilities Improvement District No.1) issued $7,601,200 of 2022 General Obligation Refunding Bonds. The bonds were issued as serial bonds bearing an interest rate of 1.54% and maturing between August 1, 2022 through August 1, 2026. The proceeds of the Bonds were used to prepay $7,360,000 of the District’s outstanding 2012 General Obligation Refunding Bonds.

The refunding decreased the District's total debt service payments by $286,094. The refunding transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new debt) of $277,815. At June 30, 2022, the principal balance outstanding on the defeased debt amounted to $7,360,000.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At June 30, 2022, none of the defeased bonds remain outstanding.

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

A. General Obligation Bonds (continued)

Prior-Year Defeasance of Debt (continued)
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, 2022, deferred outflows on refunding were $202,908, and the deferred inflows on refunding were $906,375.

Below is a schedule of bonds issued and outstanding as of June 30, 2022.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022
1999, Series B	3/14/2001	8/1/2025	4.0% - 5.1%	$ 29,999,930	$ 4,383,396	$ -	$ 933,152	$ 3,450,244
2012 Ref.	12/19/2012	8/1/2026	3.0% - 4.0%	27,455,000	11,630,000	-	9,425,000	2,205,000
2022 Ref.	5/5/2022	8/1/2026	1.54%	7,601,200	-	7,601,200	-	7,601,200
				Totals	$ 16,013,396	$ 7,601,200	$ 10,358,152	$ 13,256,444

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

Fiscal Year	Principal	Interest	Total
2022-23	$ 3,222,877	$ 2,084,729	$ 5,307,606
2023-24	3,320,707	2,143,668	5,464,375
2024-25	3,385,405	2,199,182	5,584,587
2025-26	2,050,452	2,266,223	4,316,675
2026-27	1,277,003	9,833	1,286,836
Total	$ 13,256,444	$ 8,703,635	$ 21,960,079

B. Certificates of Participation

2012 Refunding Certificates of Participation
In November 2012, the Capistrano Unified School District issued $19,635,000 of 2012 Refunding Certificates of Participation, pursuant to a lease agreement between the Corporation and the District. Under the agreement, the District will lease certain District property to the Corporation and will lease the property back from the Corporation. The current interest certificates have a final maturity occurring on August 1, 2025, with interest yields of 1.00 to 3.00 percent. The certificates were issued at an aggregate price of $19,319,921 (representing the principal amount of $19,635,000 plus an original issue premium of $282,182 less cost of issuance of $597,261).

Proceeds from the certificates were to be used to advance refund the District's outstanding 2002 Certificates of Participation and pay costs associated with the issuance of the certificates. The prepayment for the refunding occurred December 1, 2012.

At June 30, 2022, the principal balance outstanding on the 2012 Refunding Certificates of Participation was $4,015,000.

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

B. Certificates of Participation (continued)

2017 Certificates of Participation
On December 21, 2017, the Capistrano Unified School District issued $21,155,000 of Certificates of Participation, pursuant to a lease agreement between the Facilities Corporation and the District. The certificates were issued as Series A in the aggregate principal amount of $21,040,000 and Series B in the aggregate principal amount of $115,000. The Certificates mature between December 1, 2019 and 2043 and carry coupon interest rates between 2.15% and 4.02%.

Proceeds from the Certificates are being used to (i) finance various solar photovoltaic projects of the District and (ii) pay certain delivery costs of the Certificates, including premiums for a municipal bond insurance policy and debt service reserve insurance policy in lieu of cash funding a reserve fund.

The District has designated the Series A Certificates as “New Clean Renewable Energy Bonds” (“New CREBs”) under Section 54C of the *Tax Code* and irrevocably elected under *Tax Code* Section 6431(f)(2) to receive a direct subsidy from the U.S. Treasury equal to the lesser of (i) the amount of interest payable with respect to the Series A Certificates or (ii) 70 percent of the amount of interest which would be payable with respect to the Series A Certificates if the interest rates were determined at the applicable credit rate determined by the U.S. Treasury under *Tax Code* Section 54(A)(b)(3).

At June 30, 2022, the principal balance outstanding on the 2017 Certificates of Participation was $19,280,000.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain certificates of participation by placing the proceeds of new refunding certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the District’s financial statements. At June 30, 2022, none of the defeased certificates remain outstanding.

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, 2022, deferred amounts on refunding were $155,736.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2022-23	$ 1,935,000	$ 774,430	$ 2,709,430
2023-24	1,995,000	725,941	2,720,941
2024-25	2,075,000	672,734	2,747,734
2025-26	965,000	630,419	1,595,419
2026-27	850,000	602,554	1,452,554
2027-32	3,580,000	2,641,355	6,221,355
2032-37	4,425,000	1,938,464	6,363,464
2037-42	5,875,000	935,466	6,810,466
2042-44	1,595,000	40,904	1,635,904
Total	$ 23,295,000	$ 8,962,267	$ 32,257,267

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

C. Financed Purchase

The District has entered into an agreement to purchase buses valued at more than $640,000. The agreement is, in substance, a purchase and is reported as a financed purchase. The District's future payments under this obligation are:

Fiscal Year	Principal	Interest	Total
2022-23	$ 106,688	$ 18,804	$ 125,492
2023-24	110,208	15,284	125,492
2024-25	113,845	11,647	125,492
2025-26	117,602	7,890	125,492
2026-27	121,485	4,008	125,493
Totals	$ 569,828	$ 57,633	$ 627,461

D. Supplemental Early Retirement Plan

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2022, for these obligations are shown below.

Fiscal Year	Payment
2022-23	$ 3,238,548

E. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $182,551,634 as of June 30, 2022, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2022, the District reported total 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	$ 110,131,848	$ 3,634,665	$ 15,375,188	$ 7,487,145
MPP Program	2,508,680	-	-	(138,927)
Totals	$ 112,640,528	$ 3,634,665	$ 15,375,188	$ 7,348,218

The details of each plan are as follows:

District Plan

Plan description
The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

CUEA

- Retirees age 55 with at least 10 years of consecutive service are offered a District subsidy for retiree only medical coverage based on the following table:

Years of Service at Retirement	District Subsidy of Retiree Only Coverage
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

- Retirees may elect to cover any dependents; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees may elect dental coverage through the District; however, the full cost of such coverage is the responsibility of the retiree.
- Benefits cease at age 65.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

District Plan (continued)

Benefits Provided (continued)

CSEA/CUMA/Teamsters

- Retirees age 53 with at least 10 years of consecutive service are offered a District subsidy for retiree only medical coverage based on the following table:

Years of Service at Retirement	District Subsidy of Retiree Only Coverage
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

- Retirees may elect to cover any dependents; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees may elect dental coverage through the District; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees age 50 with at least 10 years of consecutive service are eligible to retire; however, the retiree will pay the full cost of coverage until reaching age 53, when the District subsidy will begin.
- Benefits cease at age 65.

Employees covered by benefit terms
At July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	232
Active employees	3,229
Total	3,461

Total OPEB Liability
The District's total OPEB liability of $110,131,848 for the Plan was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2022.

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

District Plan (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2022
Wage Inflation	2.75%
Healthcare cost trend rates	7.0% medical cost increase grading down to 3.94% in 2075 and beyond; Dental cost increase is 4.9% per year.

Discount Rate
In accordance with GASB 75, the discount rate as of June 30, 2021 and June 30, 2022 is the 20-year municipal bond yield. As of June 30, 2021, a rate of 2.18% was used. As of June 30, 2022, a rate of 4.09% was used.

Rationale: As prescribed by GASB for an unfunded OPEB, the discount rate was developed using 20-year municipal bond yield. The S&P Municipal Bond 20-Year High Grade Rate Index was used for this purpose.

Mortality Rates
Based on the June 2013 Society of Actuaries Study entitled "Health Care Costs – From Birth to Death". Pre-age 65 morbidity rates were based on the HMO and PPO costs from Chart 3.

Rationale: Due to the size of the covered population, this assumption was based on industry tables with consideration for the current demographics of the covered population.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	$ 117,519,996
Changes for the year:	
Service cost	6,778,346
Interest	2,662,820
Differences between expected and actual experience	(2,291,800)
Changes of assumptions	(10,212,931)
Benefit payments	(4,324,583)
Net changes	(7,388,148)
Balance at June 30, 2022	$ 110,131,848

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

District Plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease	$ 117,524,694
Current discount rate	$ 110,131,848
1% increase	$ 103,096,840

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 99,931,774
Current trend rate	$ 110,131,848
1% increase	$ 121,913,395

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2022, the District recognized OPEB expense of $7,487,145. In addition, at June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,132,475
Changes of assumptions	3,634,665	11,242,713
Totals	$ 3,634,665	$ 15,375,188

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

District Plan (continued)

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	$ 793,583	$ 2,747,604
2024	793,583	2,747,604
2025	711,623	2,747,604
2026	485,149	2,747,600
2027	447,750	1,623,991
Thereafter	402,977	2,760,785
Totals	$ 3,634,665	$ 15,375,188

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, 2020 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, 2021, 5,096 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

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

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability
At June 30, 2022, the District reported a liability of $2,508,680 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, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. 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:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Change Increase/ (Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net OPEB Liability	0.628956%	0.624753%	0.004203%

For the year ended June 30, 2022, the District reported OPEB expense of $(138,927).

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2020 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, 2021
Valuation Date	June 30, 2020
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

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

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

Medicare Premium Payment (MPP) Program (continued)

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, 2021, 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, 2021, 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, 2021, was 2.16%, which is a decrease from 2.21% as of June 30, 2020.

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

Discount Rate	MPP OPEB Liability
1% decrease	$ 2,765,256
Current discount rate	$ 2,508,680
1% increase	$ 2,289,464

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	$ 2,281,350
Current trend rate	$ 2,508,680
1% increase	$ 2,769,307

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, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 190,415,641	$ 90,085,930	$ 190,935,229	$ (24,356,731)
CalPERS	104,172,947	35,268,646	46,326,539	10,121,415
Totals	$ 294,588,588	$ 125,354,576	$ 237,261,768	$ (14,235,316)

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, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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

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

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.92%	16.92%
Required State Contribution Rate	10.828%	10.828%

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 various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively—provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2022, are presented above, and the District's total contributions were $42,553,043.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, 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	$	190,415,641
State's proportionate share of the net pension liability associated with the District		95,809,765
Total	$	286,225,406

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)
The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Change Increase/ (Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.418422%	0.412242%	0.006180%

For the year ended June 30, 2022, the District recognized pension expense of $(24,356,731). In addition, the District recognized pension expense and revenue of $(16,699,780) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 42,553,043	$ -
Net change in proportionate share of net pension liability	20,076,013	20,047,359
Difference between projected and actual earnings on pension plan investments	-	150,623,676
Changes of assumptions	26,979,873	-
Differences between expected and actual experience	477,001	20,264,194
Totals	$ 90,085,930	$ 190,935,229

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.

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)
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
2023	$ 17,840,096	$ 48,258,520
2024	15,715,680	44,275,139
2025	3,757,169	44,839,988
2026	3,757,169	47,051,261
2027	3,151,687	4,409,840
Thereafter	3,311,086	2,100,481
Totals	$ 47,532,887	$ 190,935,229

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, 2020 and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

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

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 202, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 387,618,092
Current discount rate (7.10%)	190,415,641
1% increase (8.10%)	26,741,372

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $26,909,780.

NOTE 9 – PENSION PLANS (continued)

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, 2020 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.

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
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%	7.00%
Required Employer Contribution Rate	22.91%	22.91%

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, 2022 are presented above, and the total District contributions were $17,372,547.

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, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $104,172,947. The net pension liability was measured as of June 30, 2021. 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		
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Change Increase/ (Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.512298%	0.478977%	0.033321%

For the year ended June 30, 2022, the District recognized pension expense of $10,121,415. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 17,372,547	$ -
Net change in proportionate share of net pension liability	9,483,341	799,555
Difference between projected and actual earnings on pension plan investments	5,302,928	45,281,405
Changes of assumptions	-	-
Differences between expected and actual experience	3,109,830	245,579
Totals	$ 35,268,646	$ 46,326,539

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years.

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
2023	$ 6,595,049	$ 12,286,321
2024	5,005,238	11,480,079
2025	3,929,173	11,420,073
2026	2,366,639	11,140,066
2027	-	-
Thereafter	-	-
Totals	$ 17,896,099	$ 46,326,539

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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	Varies by entry age and service

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

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

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 175,650,216
Current discount rate (7.15%)	104,172,947
1% increase (8.15%)	44,831,477

C. Social Security
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 the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2022, the District reported payables of $4,028,870 and $899,846 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2022.

NOTE 10 – JOINT VENTURES

The District is a member of ASCIP public entity risk pool, College and Career Advantage (CCA), Orange County Special Education Legal Alliance (OCSELA), and Ed Tech joint powers authorities (JPAs). Payments for the District's regional occupational program and special education legal services are paid to the JPAs. The District pays an annual premium to ASCIP for its property and liability and excess liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented. Audited financial statements are available from the respective entities.

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, 2022, the District had commitments with respect to unfinished capital projects of approximately $13.4 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, 2022.

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, 2016, the District contracted with Alliance of Schools Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Excess liability coverage is obtained through participation in Schools Excess Liability Fund (SELF) (through ASCIP). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, property and liability claims for which the District retains the risk of loss (claims below the District's retained limits), are administered by the Self- Insurance Fund.

Workers' Compensation

Beginning in 2009, the District has established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. Excess liability coverage for workers' compensation claims is provided through the purchase of commercial insurance.

NOTE 12 – RISK MANAGEMENT (continued)

Employee Medical Benefits
The District has contracted with the Metropolitan Employee Benefit Association (MEBA), an employee/employer benefits trust to provide employee medical and surgical benefits. MEBA obtains benefit programs on behalf of the District through the purchase of commercial insurance. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

Claims Liabilities
The District records an estimated liability for indemnity torts and other 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, 2019 to June 30, 2022:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2020	$ 14,492,815	$ 842,558	$ 15,335,373
Claims and changes in estimates	9,727,849	121,456	9,849,305
Claims payments	(6,538,836)	(221,195)	(6,760,031)
Liability Balance, June 30, 2021	17,681,828	742,819	18,424,647
Claims and changes in estimates	2,444,278	63,100	2,507,378
Claims payments	(1,503,201)	(25,611)	(1,528,812)
Liability Balance, June 30, 2022	$ 18,622,905	$ 780,308	$ 19,403,213
Assets available to pay claims at June 30, 2022	$ 19,771,716	$ 1,809,058	$ 21,580,774

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Required Supplementary Information

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CAPISTRANO UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 433,115,104	$ 432,579,055	$ 430,773,372	$ (1,805,683)
Federal	20,957,165	76,541,713	42,936,190	(33,605,523)
Other State	70,963,715	122,530,053	104,002,533	(18,527,520)
Other Local	5,843,518	10,679,381	10,741,867	62,486
Total Revenues	530,879,502	642,330,202	588,453,962	(53,876,240)
Expenditures				
Current:				
Certificated Salaries	245,168,846	258,385,548	255,961,084	2,424,464
Classified Salaries	81,961,179	80,952,006	81,646,021	(694,015)
Employee Benefits	151,322,772	167,427,538	155,884,618	11,542,920
Books and Supplies	36,491,572	64,040,441	20,428,136	43,612,305
Services and Other Operating Expenditures	52,269,892	58,359,865	62,425,917	(4,066,052)
Transfers of Indirect Costs	(502,512)	(297,674)	(600,991)	303,317
Capital Outlay	2,010,859	1,972,001	1,180,873	791,128
Other Outgo	13,701,111	10,192,223	8,713,263	1,478,960
Total Expenditures	582,423,719	641,031,948	585,638,921	55,393,027
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,544,217)	1,298,254	2,815,041	1,516,787
Other Financing Sources and Uses				
Interfund Transfers Out	-	(221,560)	-	221,560
Total Other Financing Sources and Uses	-	(221,560)	-	221,560
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(51,544,217)	1,076,694	2,815,041	1,738,347
Fund Balance, July 1, 2021	124,397,274	97,194,735	97,198,791	4,056
Fund Balance, June 30, 2022	$ 72,853,057	$ 98,271,429	100,013,832	$ 1,742,403

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:

Deferred Maintenance Fund	1,982,882
Special Reserve Fund for Postemployment Benefits	85,244
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 102,081,958

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

	2020-21	2019-20	2018-19	2017-18
District's proportion of the net pension liability	0.4184%	0.4122%	0.3983%	0.4133%
District's proportionate share of the net pension liability	$ 190,415,641	$ 399,499,582	$ 359,759,487	$ 379,812,952
State's proportionate share of the net pension liability associated with the District	95,809,765	205,942,081	196,272,818	217,460,679
Totals	$ 286,225,406	$ 605,441,663	$ 556,032,305	$ 597,273,631
District's covered-employee payroll	$ 224,645,334	$ 221,697,179	$ 214,070,817	$ 219,929,640
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	89.75%	180.20%	168.06%	172.70%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.4079%	0.4388%	0.4440%	0.4240%
District's proportionate share of the net pension liability	$ 377,224,419	$ 355,067,590	$ 299,046,251	$ 247,568,061
State's proportionate share of the net pension liability associated with the District	223,162,780	202,163,405	158,162,077	149,493,785
Totals	$ 600,387,199	$ 557,230,995	$ 457,208,328	$ 397,061,846
District's covered-employee payroll	$ 215,595,715	$ 218,549,935	$ 203,198,773	$ 190,051,460
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.97%	162.47%	147.17%	130.26%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

* *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.*

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

	2020-21	2019-20	2018-19	2017-18
District's proportion of the net pension liability	0.5123%	0.4790%	0.4823%	0.4836%
District's proportionate share of the net pension liability	$ 104,172,947	$ 146,964,918	$ 140,575,475	$ 128,938,817
District's covered-employee payroll	$ 74,473,966	$ 68,360,940	$ 65,678,780	$ 65,083,027
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.26%	214.98%	214.03%	198.11%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%

	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.4832%	0.5021%	0.4863%	0.4712%
District's proportionate share of the net pension liability	$ 115,359,933	$ 99,165,061	$ 71,675,424	$ 53,496,722
District's covered-employee payroll	$ 61,338,126	$ 59,496,894	$ 53,396,092	$ 49,422,822
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.07%	166.67%	134.23%	108.24%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalSTRS

For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

	2021-22	2020-21	2019-20	2018-19
Contractually required contribution	$ 42,553,043	$ 36,280,221	$ 37,910,218	$ 34,850,729
Contributions in relation to the contractually required contribution	42,553,043	36,280,221	37,910,218	34,850,729
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 251,495,528	$ 224,645,334	$ 221,697,179	$ 214,070,817
Contributions as a percentage of covered-employee payroll	16.92%	16.15%	17.10%	16.28%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 31,735,847	$ 27,121,941	$ 23,450,408	$ 18,044,051
Contributions in relation to the contractually required contribution	31,735,847	27,121,941	23,450,408	18,044,051
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 219,929,640	$ 215,595,715	$ 218,549,935	$ 203,198,773
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

* *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.*

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

	2021-22	2020-21	2019-20	2018-19
CalPERS				
Contractually required contribution	$ 17,372,547	$ 15,416,111	$ 13,481,461	$ 11,862,901
Contributions in relation to the contractually required contribution	17,372,547	15,416,111	13,481,461	11,862,901
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 75,829,537	$ 74,473,966	$ 68,360,940	$ 65,678,780
Contributions as a percentage of covered-employee payroll	22.910%	20.700%	19.721%	18.062%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 10,108,045	$ 8,518,639	$ 7,048,597	$ 6,285,254
Contributions in relation to the contractually required contribution	10,108,045	8,518,639	7,048,597	6,285,254
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 65,083,027	$ 61,338,126	$ 59,496,894	$ 53,396,092
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

Employer's Fiscal Year	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
Measurement Period	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
Total OPEB liability					
Service cost	$ 6,778,346	$ 6,512,034	$ 5,063,382	$ 5,093,384	$ 5,473,982
Interest	2,662,820	2,999,275	3,230,441	3,342,294	3,366,886
Differences between expected and actual experience	(2,291,800)	-	(3,742,045)	-	-
Changes in assumptions	(10,212,931)	3,537,227	(4,123,242)	1,415,125	1,110,160
Benefit payments	(4,324,583)	(3,519,280)	(6,278,478)	(6,103,698)	(3,873,541)
Net change in total OPEB liability	(7,388,148)	9,529,256	(5,849,942)	3,747,105	6,077,487
Total OPEB liability - beginning	117,519,996	107,990,740	113,840,682	110,093,577	104,016,090
Total OPEB liability - ending	$ 110,131,848	$ 117,519,996	$ 107,990,740	$ 113,840,682	$ 110,093,577
Covered-employee payroll	$ 251,393,637	$ 231,955,560	$ 240,175,084	$ 207,699,203	$ 232,033,828
Total OPEB liability as a percentage of covered-employee payroll	43.81%	50.66%	44.96%	54.81%	47.45%

** 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.*

CAPISTRANO UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2022

*Last Ten Fiscal Years**

Employer's Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2021-22	2020-21	2019-20	2018-19	2017-18
District's proportion of net OPEB liability	0.6290%	0.6248%	0.6157%	0.6499%	0.6492%
District's proportionate share of net OPEB liability	$ 2,508,680	$ 2,647,607	$ 2,292,667	$ 2,487,492	$ 2,731,268
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 2.18 percent to 4.09 percent since the previous valuation.

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

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

Change of assumptions – The discount rate was changed from 2.21 percent to 2.16 percent since the previous valuation.

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Supplementary Information

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CAPISTRANO UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure
June 30, 2022

The Capistrano Unified School District was unified in 1965 under the laws of the State of California. The District encompasses 200 square miles in seven cities and a portion of the unincorporated portion of Orange County. The District includes all or a part of the cities of San Clemente, Dana Point, San Juan Capistrano, Laguna Niguel, Aliso Viejo, Mission Viejo and Rancho Santa Margarita, and the communities of Las Flores, Coto de Caza, Dove Canyon, Ladera Ranch, Sendero/Rancho Mission Viejo, and Wagon Wheel. The District operates 33 elementary schools, 10 middle schools, 3 grades K-8 schools, 6 comprehensive high schools, 5 charter schools, and 8 alternative schools/programs. There were no boundary changes during the year.

BOARD OF TRUSTEES

Member	Office	Term Expires
Martha McNicholas	President	2022
Krista Castellanos	Vice President	2024
Gila Jones	Clerk	2022
Judy Bullockus	Member	2022
Lisa Davis	Member	2024
Amy Hanacek	Member	2024
Vacant	Member	2024

District ADMINISTRATORS

Kirsten M. Vital Brulte,
Superintendent

Clark Hampton,
Deputy Superintendent, Business and Support Services

Bob Presby,
Associate Superintendent, Human Resource Services

Dr. Gregory Merwin,
Associate Superintendent, Education and Support Services

Dr. Cary Johnson,
Assistant Superintendent, Education and Support Services

Clint Collins,
Assistant Superintendent, SELPA, Special Education Services

Brad Shearer,
Assistant Superintendent, School Leadership & Instruction, Elementary

Dr. Dave Stewart,
Assistant Superintendent, School Leadership & Instruction, Elementary

Jennifer Smalley,
Assistant Superintendent, School Leadership & Instruction, Secondary

Philippa Townsend,
Assistant Superintendent, Fiscal Services

Rich Montgomery,
Assistant Superintendent, Human Resource Services

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2022

	Second Period Report	Annual Report
	Data ID	Data ID
	279B9555	4015177E
Regular ADA & Extended Year:		
Grades TK-3	10,648.63	10,669.27
Grades 4-6	8,572.26	8,581.97
Grades 7-8	6,134.66	6,131.31
Grades 9-12	14,228.07	14,194.31
Total Regular ADA	39,583.62	39,576.86
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK-3	2.20	2.40
Grades 4-6	9.54	10.88
Grades 7-8	22.96	25.08
Grades 9-12	63.45	67.13
Total Special Education, Nonpublic, Nonsectarian Schools ADA	98.15	105.49
Community Day School ADA:		
Grades 9-12	3.21	3.21
Total ADA	39,684.98	39,685.56
Attendance Supplement:		
Fallbrook Union High School District students in grades 9-12 attending Capistrano USD	113.39	113.78

Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	48,930	180	Complied
Grade 1	50,400	50,440	180	Complied
Grade 2	50,400	50,440	180	Complied
Grade 3	50,400	50,440	180	Complied
Grade 4	54,000	54,004	180	Complied
Grade 5	54,000	54,004	180	Complied
Grade 6	54,000	56,796	180	Complied
Grade 7	54,000	56,796	180	Complied
Grade 8	54,000	56,796	180	Complied
Grade 9	64,800	64,840	180	Complied
Grade 10	64,800	64,840	180	Complied
Grade 11	64,800	64,840	180	Complied
Grade 12	64,800	64,840	180	Complied

General Fund	(Budget) 2023 [2]	2022 [3]	2021	2020
Revenues and other financing sources	$ 641,882,241	$ 588,453,962	$ 552,779,293	$ 519,808,741
Expenditures and other financing uses	623,897,112	585,638,921	537,753,550	525,880,424
Change in fund balance (deficit)	17,985,129	2,815,041	15,025,743	(6,071,683)
Ending fund balance	$ 117,998,961	$ 100,013,832	$ 97,198,791	$ 82,173,048
Available reserves [1]	$ 53,098,423	$ 57,986,766	$ 54,470,768	$ 50,625,569
Available reserves as a percentage of total outgo	8.5%	9.9%	10.1%	9.6%
Total long-term debt	$ 469,532,316	$ 479,823,261	$ 748,219,392	$ 697,940,054
Average daily attendance at P-2	40,069	39,685	N/A	44,504

The General Fund balance has increased by $17.8 million over the past two years. The fiscal year 2022-23 adopted budget projects an increase of $18.0 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating surplus during the 2022-23 fiscal year. Long-term debt has decreased by $218.1 million over the past two years.

Average daily attendance has decreased by 4,819 over the past two years. In 2022-23, ADA is projected to increase by 384.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised budget September, 2022.

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2022

	Capital Project Fund Blended for Component Units*	Self-Insurance Fund
June 30, 2022, annual financial and budget report (SACS) fund balance	$ -	$ 11,783,994
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Investments	11,237,889	-
Accounts receivable	6,221	-
Accounts payable	(669,367)	(941,077)
Net adjustments and reclassifications	10,574,743	(941,077)
June 30, 2022, audited financial statement fund balance	$ 10,574,743	$ 10,842,917

**Capital Project Fund for Blended Component Units is to account for capital projects activity related to the community facilities districts (CFDs), which are considered component units of the school district and are disclosed as non-obligatory debt. The activity for this fund is not reported in the Standardized Account Code Structure software submitted to the CDE.*

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2022

Charter School		
Name	Number	Inclusion in Financial Statements
Journey	0294	Not included
Opportunities for Learning - Capistrano	0463	Not included
California Connections Academy Southern California	0664	Not included
Community Roots Academy	1274	Not included
Oxford Preparatory Academy - South Orange County	1324	Not included
OCASA College Prep	2084	Not included

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	$ 1,091,694	
School Breakfast Program - Especially Needy	10.553	13526	1,713,242	
National School Lunch Program	10.555	13523	6,688,478	
USDA Donated Foods	10.555	N/A	636,349	
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	309,376	
Supply Chain Assistance (SCA) Funds	10.555	15655	1,061,594	
Total Child Nutrition Cluster				$ 11,500,733
Passed through Orange County Office of Education:				
Forest Reserve Funds	10.665	10044		829
Total U.S. Department of Agriculture				11,501,562
U.S. Department of Education:				
Indian Education	84.060	N/A		58,788
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants, Low-Income and Neglected	84.010	14329		5,084,087
Title II, Part A, Supporting Effective Instruction	84.367	14341		480,029
Title III, Limited English Proficiency	84.365	14346		675,980
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		490,841
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		85,225
Early Intervention Grants	84.181	23761		51,074
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893		304,914
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	3,961,397	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	7,843,104	
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	4,579,995	
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	1,051,150	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425D	15620	2,985,625	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425D	15621	5,146,703	
American Rescue Plan-Homeless Children and Youth	84.425U	15564	26,983	
Subtotal Education Stabilization Fund				25,594,957
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	7,908,241	
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	226,362	
COVID-19: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	158,364	
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	320,423	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	201,000	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	528,117	
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,860	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	17,777	
Total Special Education (IDEA) Cluster				9,363,144
Passed through California Dept. of Rehabilitation (CDE):				
Workability II, Transition Partnership	84.126	10006		746,322
Total U.S. Department of Education				42,935,361
Total Expenditures of Federal Awards				$ 54,436,923

Of the federal expenditures presented in the schedule, the District provided no awards to recipients.

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

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

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

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 61,806,980
Differences between Federal Revenues and Expenditures:		
School Breakfast Program - Basic	10.553	(827,669)
School Breakfast Program - Especially Needy	10.553	(1,298,897)
National School Lunch Program	10.555	(5,070,877)
ARP: California State Preschool Program	93.575	(166,800)
Pandemic EBT Local Administrative Grant	10.649	(5,814)
Total Schedule of Expenditures of Federal Awards		$ 54,436,923

Other Independent Auditors' Reports

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NIGRO & NIGRO PC
A Professional Accountancy Corporation

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 Trustees
Capistrano Unified School District
San Juan Capistrano, 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 Capistrano Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2022.

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 may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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.

Nigro & Nigro, PC

Murrieta, California
October 3, 2022

A Professional Accountancy Corporation

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

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, California

Report on Compliance for Each Major Federal Program
We have audited the Capistrano 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 Capistrano School District's major federal programs for the year ended June 30, 2022. The Capistrano 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 Capistrano 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, 2022.

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 Capistrano 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 Capistrano 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 Capistrano School District's federal program.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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 Capistrano 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 Capistrano 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 Capistrano 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 Capistrano 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 Capistrano 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.

Nigro & Nigro, PC

Murrieta, California
October 3, 2022

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Capistrano Unified School District
San Juan Capistrano, California

Report on Compliance

Opinion
We have audited the California Unified School District's (District) compliance with the requirements specified in the *2021-22 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, 2022.

In our opinion, California 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, 2022.

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 *2021-22 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 California Unified School District's state programs.

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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 2021-22 *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 *2021-22 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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

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

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

Areas marked as not applicable were not operated by the District.

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

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identity 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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
October 3, 2022

Schedule of Findings and Questioned Costs

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Financial Statements

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

Federal Awards

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

Assitance Listing Numbers	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,633,108
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

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

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

There were no financial statement findings in 2021-22.

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 2021-22.

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

Finding 2022-001: California Clean Energy Jobs Act (40000)

Criteria: Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 months after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan.

Condition: The District completed two projects – the first one on February 14, 2018, and the other on February 1, 2019, but did not submit the final reports until April 23, 2021, which is outside the 15-month window for both projects.

Context: Not applicable.

Cause: The District was behind schedule in preparing and submitting this report.

Effect: None

Recommendation: No recommendation, since no future final reports will be required.

District Response: This took place during initial in-person reopening after COVID which heavily impacted the Facilities and M & O department. Staff have been reminded to adhere to all grant reporting dates in future.

Finding 2022-002: School Accountability Report Card (72000)

Criteria: In accordance with Education Code §33126, each school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1 of each year.

Condition: It was noted that the School Facility Repair Status on the SARC for Union High School did not match the FIT form. The SARC indicated a "Fair" rating while the FIT Form reported "Good" in one category (interior).

Context: The error was noted at only one of the fifteen (15) schools selected.

Cause: The discrepancy was overlooked by District staff.

Effect: None

Recommendation: We recommend that an employee verify the information presented in the SARC. This information is essential to present the required information about the school fairly to the public.

District Response: Staff have been directed to be more vigilant when completing the SARC to make sure it matches the FIT form.

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