

**CAPISTRANO UNIFIED SCHOOL DISTRICT
ORANGE COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2023**

NIGRO & NIGRO^{PC}

CAPISTRANO UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2023

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CAPISTRANO UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2023

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Financial Section

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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, 2023, 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, 2023, 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 *2022-23 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, prior year assets and liabilities on the Statement of Net Position were restated to adopt this standard. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 September 19, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
September 19, 2023

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

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, 2023. 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 \$133.4 million, or 34.8%.
- Governmental expenses were about \$630.6 million. Revenues were about \$764.1 million.
- The District acquired over \$23.2 million in new capital assets during the year.
- Governmental funds increased by \$90.9 million, or 52.6%.
- Reserves for the General Fund decreased by \$3.6 million or 6.2%. Revenues were \$707.6 million, and expenditures and other financing uses were \$650.2 million.

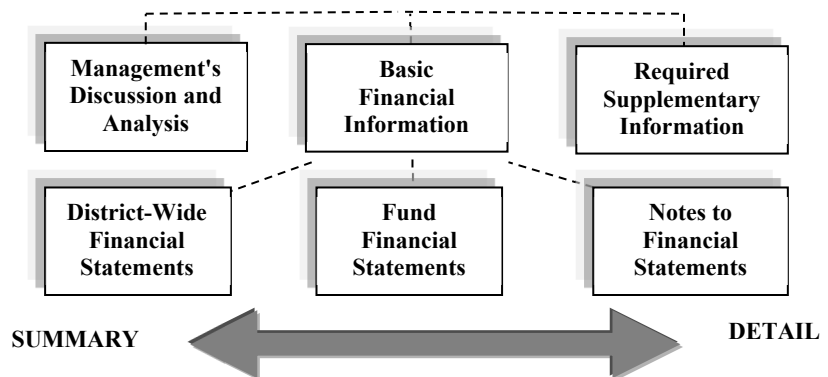
OVERVIEW OF THE FINANCIAL STATEMENTS

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



CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

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, 2023, than it was the year before – increasing 34.8% to \$517.0 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2023	2022*	Net Change
Assets			
Current assets	\$ 355,086,633	\$ 257,693,881	\$ 97,392,752
Capital assets	789,510,180	790,910,466	(1,400,286)
Total assets	<u>1,144,596,813</u>	<u>1,048,604,347</u>	<u>95,992,466</u>
Total deferred outflows of resources	<u>187,279,885</u>	<u>129,347,885</u>	<u>57,932,000</u>
Liabilities			
Current liabilities	57,207,083	53,144,812	4,062,271
Long-term liabilities	648,506,799	486,052,168	162,454,631
Total liabilities	<u>705,713,882</u>	<u>539,196,980</u>	<u>166,516,902</u>
Total deferred inflows of resources	<u>109,171,909</u>	<u>255,204,107</u>	<u>(146,032,198)</u>
Net position			
Net investment in capital assets	753,044,460	747,163,107	5,881,353
Restricted	206,996,785	112,106,411	94,890,374
Unrestricted	<u>(443,050,338)</u>	<u>(475,718,373)</u>	<u>32,668,035</u>
Total net position	<u>\$ 516,990,907</u>	<u>\$ 383,551,145</u>	<u>\$ 133,439,762</u>

*As restated

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 26.0% to \$764.1 million (See Table A-2). The increase was experienced across all major types of revenue, but was primarily due to increased federal and state grants.

The total cost of all programs and services increased 14.9% to \$630.6 million. The District's expenses are predominantly related to educating and caring for students, 84.1%. The purely administrative activities of the District accounted for just 4.7% of total costs. A significant contributor to the increase in costs was the increase in expenses related to the net pension liability.

Table A-2: Statement of Activities

	Governmental Activities		
	2023	2022	Net Change
Revenues			
Program Revenues:			
Charges for services	\$ 21,944,337	\$ 22,595,965	\$ (651,628)
Operating grants and contributions	197,183,893	121,845,498	75,338,395
Capital grants and contributions	26,281,224	308,708	25,972,516
General Revenues:			
Property taxes	432,245,334	401,607,627	30,637,707
Federal and state aid not restricted	74,287,389	52,370,899	21,916,490
Other general revenues	12,125,552	7,475,625	4,649,927
Total Revenues	764,067,729	606,204,322	157,863,407
Expenses			
Instruction-related	458,187,834	407,629,292	50,558,542
Pupil services	72,293,761	57,902,313	14,391,448
Administration	29,341,496	21,028,924	8,312,572
Plant services	57,585,971	51,613,066	5,972,905
All other activities	13,218,905	10,716,815	2,502,090
Total Expenses	630,627,967	548,890,410	81,737,557
Increase (decrease) in net position	\$ 133,439,762	\$ 57,313,912	\$ 76,125,850
Total Net Position	\$ 516,990,907	\$ 383,551,145	

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

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 \$263.7 million, which is above last year's ending fund balance of \$172.8 million. The primary cause of the increased fund balance is receipt of school facility funds and a surplus in General Fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	7/1/2022*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2023
General Fund	\$ 100,013,832	\$ 707,552,101	\$ 650,244,417	\$ -	\$ 157,321,516
Student Activities Fund	5,958,462	14,538,266	14,477,923	-	6,018,805
Child Development Fund	1,545,057	6,229,785	6,095,802	-	1,679,040
Cafeteria Fund	9,679,337	23,619,280	15,721,466	-	17,577,151
Deferred Maintenance Fund	1,982,882	4,019,398	2,932,961	-	3,069,319
Special Reserve Fund (Postemployment Benefits)	85,244	(85,244)	-	-	-
Capital Facilities Fund	3,905,209	4,792,656	2,199,360	545,027	7,043,532
County School Facilities Fund	24,165,539	26,281,224	746,098	-	49,700,665
Special Reserve Fund (Capital Outlay)	9,513,105	4,120,188	1,933,260	843,072	12,543,105
Capital Projects Fund for Blended Component Units	10,574,743	143,165	8,448,126	747,096	3,016,878
Bond Interest and Redemption Fund	5,359,073	5,686,569	5,307,606	13,206	5,751,242
	<u>\$ 172,782,483</u>	<u>\$ 796,897,388</u>	<u>\$ 708,107,019</u>	<u>\$ 2,148,401</u>	<u>\$ 263,721,253</u>

* As restated

General Fund Budgetary Highlights

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

- Revenues – increased by \$129.5 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$20.0 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$14.4 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$35.4 million, the actual results for the year show that revenues exceeded expenditures by roughly \$57.3 million. Actual revenues were \$4.7 million more than anticipated, and expenditures were \$17.2 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2023, that will be carried over into the 2023-24 budget.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23 the District had acquired \$23.2 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		
	2023	2022*	Net Change
Land	\$ 324,706,533	\$ 322,300,330	\$ 2,406,203
Improvement of sites	17,475,273	17,099,936	375,337
Buildings	421,364,411	392,217,034	29,147,377
Equipment	16,862,570	9,635,933	7,226,637
Construction in progress	5,170,250	43,428,326	(38,258,076)
Leased assets	1,605,024	2,981,225	(1,376,201)
Subscription assets	2,326,119	3,247,682	(921,563)
Total	<u>\$ 789,510,180</u>	<u>\$ 790,910,466</u>	<u>\$ (1,400,286)</u>

*As restated

Long-Term Debt

At year-end the District had \$648.5 million in long-term liabilities – an increase of 33.4% 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		
	2023	2022*	Net Change
General obligation bonds	\$ 15,763,674	\$ 20,752,678	\$ (4,989,004)
Certificates of participation	21,414,289	23,370,995	(1,956,706)
Financed purchases	463,140	569,828	(106,688)
Leases	2,353,280	2,981,225	(627,945)
Subscription based IT arrangements	2,201,444	3,247,682	(1,046,238)
Compensated absences	5,726,420	5,258,883	467,537
Supplemental early retirement plan	-	3,238,548	(3,238,548)
Claims liability	17,103,517	19,403,213	(2,299,696)
Other postemployment benefits	119,692,442	112,640,528	7,051,914
Net pension liability	463,788,593	294,588,588	169,200,005
Total	<u>\$ 648,506,799</u>	<u>\$ 486,052,168</u>	<u>\$ 162,454,631</u>

*As restated

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed an initial budget package on June 15, 2023. The Legislature's budget package adopted LAO estimates of local property tax revenues, which resulted in an increase to the Proposition 98 guarantee by \$2.1 billion across 2022-23 and 2023-24. The legislative package used this additional funding primarily to help maintain previously approved programs. Relative to the May Revision, the Legislature's budget package also: (1) reallocated projected unspent funds in child care and State Preschool programs to increase provider rates and reduce family fees beginning October 1, 2023; (2) included a slightly different mix of reductions as the Governor from climate change-related packages (although a similar overall level); (3) restored \$1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and added flexibility to allow local agencies to use this funding for operations; (4) rejected the Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, instead using lease revenue bond financing to pay for these costs; and (5) accelerated the time line to spend funds for MCO tax-related augmentations to around four years from eight to ten years. The Legislature passed an amended budget act and associated trailer bills on June 27, 2023 and June 29, 2023.

K-14 Education

Funds Modest 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 2022-23, the guarantee is down \$3 billion (2.7 percent) compared with the estimates made in June 2022. The decrease in the guarantee is primarily attributable to lower General Fund revenue estimates, somewhat offset by higher local property tax revenue. For 2023-24, the guarantee increases by \$953 million (0.9 percent) relative to the revised 2022-23 level. For 2023-24, projected increases in property tax revenue offset declines associated with lower General Fund revenue estimates.

Increase in Required Reserve Deposits

In certain circumstances, the Constitution requires the state to deposit some of the available Proposition 98 funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the state deposits a total of \$7.5 billion into this account across the 2021-22 through 2023-24 period—an increase of \$1.3 billion compared with the estimates made in June 2022. The higher required deposits are primarily due to revenue estimates from the administration that have capital gains accounting for a larger share of General Fund revenue over the period.

Provides Large COLA to School and Community College Districts

In addition to the required reserve deposits, the budget package has several ongoing and one-time increases. The largest ongoing augmentation is \$4.8 billion to provide an 8.22 percent COLA for K-12 and community college programs. In K-12, the budget also includes \$300 million ongoing targeted to low-income schools with relatively high rates of student mobility within the school year, as well as \$250 million one time for literacy coaches and reading specialists.

Budget Has Notable K-14 Structural Gap

The 2023-24 Proposition 98 spending level is not sufficient to fully fund all ongoing spending authorized in the budget package. To cover these costs, the budget package uses \$1.9 billion in one-time, prior-year funding to fund the primary school and community college funding formulas (\$1.6 billion for schools and \$290 million for California Community Colleges). Using one-time funds to cover ongoing costs creates a deficit in the Proposition 98 budget the following year.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Funds School Facilities Grants

The 2022-23 budget package provided \$1.3 billion one-time non-Proposition 98 General Fund to cover the state share for new construction and modernization projects under the School Facility Program (SFP). The 2022-23 budget package also included intent language to provide an additional \$2.1 billion in 2023-24 and \$875 million in 2024-25. The budget provides about \$2 billion to the SFP in 2023-24, which is \$100 million less than the previously intended augmentation, and continues to assume an additional \$875 million will be provided in 2024-25. The budget also delays the intended \$550 million non-Proposition 98 General Fund increase to the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program from 2023-24 to 2024-25.

All of these factors were considered in preparing the Capistrano Unified School District budget for the 2023-24 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, 2023

	Governmental Activities
ASSETS	
Deposits and investments	\$ 299,888,613
Accounts receivable	53,585,826
Lease receivable	818,439
Prepaid expenses	6,159
Inventories	487,596
Other current assets	300,000
Capital assets:	
Non-depreciable capital assets	329,876,783
Depreciable capital assets	939,155,764
Less accumulated depreciation	(483,453,510)
Lease assets	2,981,225
Less accumulated amortization	(1,376,201)
Subscription assets	3,247,682
Less accumulated amortization	(921,563)
Total assets	<u>1,144,596,813</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	269,058
Deferred outflows related to OPEB	4,951,518
Deferred outflows related to pensions	182,059,309
Total deferred outflows of resources	<u>187,279,885</u>
LIABILITIES	
Accounts payable	52,575,074
Accrued interest payable	82,161
Unearned revenue	4,549,848
Noncurrent liabilities:	
Due or payable within one year	9,484,910
Due in more than one year:	
Other than OPEB and pensions	55,540,854
Total OPEB liability	119,692,442
Net pension liability	463,788,593
Total liabilities	<u>705,713,882</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	684,406
Deferred inflows related to OPEB	12,627,584
Deferred inflows related to pensions	94,910,600
Deferred inflows related to leases	949,319
Total deferred inflows of resources	<u>109,171,909</u>
NET POSITION	
Net investment in capital assets	753,044,460
Restricted for:	
Capital projects	72,304,180
Debt service	5,751,242
Student body activities	6,018,805
Self-insurance programs	16,187,622
Categorical programs	106,734,936
Unrestricted	<u>(443,050,338)</u>
Total net position	<u>\$ 516,990,907</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 394,367,059	\$ 14,863,081	\$ 139,496,042	\$ 26,281,224	\$ (213,726,712)
Instruction-Related Services:					
Supervision of instruction	19,785,904	425,276	6,821,915	-	(12,538,713)
Instructional library, media and technology	3,342,497	-	294,932	-	(3,047,565)
School site administration	40,692,374	12,966	(560,241)	-	(41,239,649)
Pupil Support Services:					
Home-to-school transportation	12,679,724	-	9,095	-	(12,670,629)
Food services	15,640,884	738,878	26,202,860	-	11,300,854
All other pupil services	43,973,153	103,482	6,659,474	-	(37,210,197)
General Administration Services:					
Data processing services	14,680,866	44,500	1,281,779	-	(13,354,587)
Other general administration	14,660,630	55,477	5,165,773	-	(9,439,380)
Plant services	57,585,971	43,342	62,173	-	(57,480,456)
Ancillary services	4,709,761	-	(214,824)	-	(4,924,585)
Community services	250	-	(2,159)	-	(2,409)
Enterprise activities	117,723	-	439,654	-	321,931
Interest on long-term debt	(444,440)	-	-	-	444,440
Other outgo	6,537,847	5,657,335	11,527,420	-	10,646,908
Amortization (unallocated)	2,297,764	-	-	-	(2,297,764)
Total Governmental Activities	<u>\$ 630,627,967</u>	<u>\$ 21,944,337</u>	<u>\$ 197,183,893</u>	<u>\$ 26,281,224</u>	<u>(385,218,513)</u>
General Revenues:					
					432,245,334
					74,287,389
					3,054,026
					107,329
					8,964,197
					<u>518,658,275</u>
					133,439,762
					384,509,996
					(958,851)
					<u>383,551,145</u>
					<u>\$ 516,990,907</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 165,841,826	\$ 49,578,068	\$ 51,423,173	\$ 266,843,067
Accounts receivable	46,693,024	149,678	6,449,118	53,291,820
Due from other funds	326,064	-	442	326,506
Stores inventories	105,558	-	382,038	487,596
Prepaid expenditures	6,159	-	-	6,159
Lease receivable	818,439	-	-	818,439
Other current assets	300,000	-	-	300,000
Total Assets	<u>\$ 214,091,070</u>	<u>\$ 49,727,746</u>	<u>\$ 58,254,771</u>	<u>\$ 322,073,587</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 50,409,477	\$ 27,081	\$ 1,767,702	\$ 52,204,260
Due to other funds	302,463	-	346,444	648,907
Unearned revenue	2,038,976	-	2,510,872	4,549,848
Total Liabilities	<u>52,750,916</u>	<u>27,081</u>	<u>4,625,018</u>	<u>57,403,015</u>
Deferred Inflows	<u>949,319</u>	<u>-</u>	<u>-</u>	<u>949,319</u>
Fund Balances				
Nonspendable	286,717	-	394,788	681,505
Restricted	87,478,745	49,700,665	51,204,658	188,384,068
Committed	14,344,111	-	-	14,344,111
Assigned	3,069,319	-	2,030,307	5,099,626
Unassigned	55,211,943	-	-	55,211,943
Total Fund Balances	<u>160,390,835</u>	<u>49,700,665</u>	<u>53,629,753</u>	<u>263,721,253</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 214,091,070</u>	<u>\$ 49,727,746</u>	<u>\$ 58,254,771</u>	<u>\$ 322,073,587</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

Total fund balances - governmental funds \$ 263,721,253

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

Capital assets at historical cost:	1,269,032,547	
Accumulated depreciation:	(483,453,510)	
Leased assets	2,981,225	
Subscription assets	3,247,682	
Accumulated amortization	<u>(2,297,764)</u>	
Net:		789,510,180

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:

(82,161)

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	269,058	
Deferred inflows of resources	<u>(684,406)</u>	
Total		(415,348)

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	15,763,674	
Certificates of participation payable	21,414,289	
Financed purchases	463,140	
Leases	2,353,280	
Subscription based IT arrangements	2,201,444	
Compensated absences payable	5,726,420	
Other postemployment benefits	119,692,442	
Net pension liability	<u>463,788,593</u>	
Total		(631,403,282)

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	4,951,518	
Deferred inflows of resources	<u>(12,627,584)</u>	
Total		(7,676,066)

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	182,059,309	
Deferred inflows of resources	<u>(94,910,600)</u>	
Total		87,148,709

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:

16,187,622

Total net position - governmental activities

\$ 516,990,907

CAPISTRANO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2023

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 481,025,195	\$ -	\$ -	\$ 481,025,195
Federal sources	53,412,143	-	10,057,635	63,469,778
Other state sources	159,418,792	25,956,709	16,563,307	201,938,808
Other local sources	17,630,125	324,515	32,508,967	50,463,607
Total Revenues	711,486,255	26,281,224	59,129,909	796,897,388
EXPENDITURES				
Current:				
Instruction	411,788,417	-	4,373,882	416,162,299
Instruction-Related Services:				
Supervision of instruction	20,618,821	-	1,259,497	21,878,318
Instructional library, media and technology	3,154,306	-	-	3,154,306
School site administration	44,891,979	-	114,199	45,006,178
Pupil Support Services:				
Home-to-school transportation	12,860,161	-	-	12,860,161
Food services	175,464	-	15,384,822	15,560,286
All other pupil services	47,983,478	-	55,109	48,038,587
Ancillary services	5,135,284	-	14,477,923	19,613,207
Community services	250	-	-	250
Enterprise activities	4,701	-	-	4,701
General Administration Services:				
Data processing services	14,319,355	-	-	14,319,355
Other general administration	17,642,387	-	187,152	17,829,539
Transfers of indirect costs	(599,759)	-	599,759	-
Plant services	56,441,271	-	30,000	56,471,271
Capital outlay	10,288,743	746,098	10,218,471	21,253,312
Intergovernmental transfers	5,200,755	-	833,364	6,034,119
Debt service:				
Principal	2,455,871	-	4,482,877	6,938,748
Interest	815,894	-	2,166,488	2,982,382
Total Expenditures	653,177,378	746,098	54,183,543	708,107,019
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	58,308,877	25,535,126	4,946,366	88,790,369
OTHER FINANCING SOURCES (USES)				
All other financing sources	-	-	2,148,401	2,148,401
Total Other Financing Sources and Uses	-	-	2,148,401	2,148,401
Net Change in Fund Balances	58,308,877	25,535,126	7,094,767	90,938,770
Fund Balances, July 1, 2022, as originally stated	102,081,958	24,165,539	47,493,837	173,741,334
Adjustments for restatements (Note 13)	-	-	(958,851)	(958,851)
Fund Balances - July 1, 2022	102,081,958	24,165,539	46,534,986	172,782,483
Fund Balances - June 30, 2023	\$ 160,390,835	\$ 49,700,665	\$ 53,629,753	\$ 263,721,253

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, 2023*

Total net change in fund balances - governmental funds \$ 90,938,770

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	23,217,813	
Depreciation expense	(22,320,335)	
Amortization expense	<u>(2,297,764)</u>	(1,400,286)

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:

6,938,748

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:

132,383

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:

1,444,942

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:

342,891

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:

58,159

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).

(467,537)

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:

3,238,548

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:

29,855,896

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:

(2,987,457)

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.

5,344,705

Change in net position of governmental activities \$ 133,439,762

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2023

	Governmental Activities
	Internal Service Funds
ASSETS	
Current Assets	
Deposits and investments	\$ 33,045,546
Accounts receivable	294,006
Due from other funds	323,067
	<hr/>
Total Assets	33,662,619
	<hr/>
LIABILITIES	
Current Liabilities	
Accrued liabilities	370,814
Due to other funds	666
	<hr/>
Total current liabilities	371,480
Non-Current Liabilities	
Claims liability	17,103,517
	<hr/>
Total Liabilities	17,474,997
	<hr/>
NET POSITION	
Restricted	\$ 16,187,622
	<hr/> <hr/>

CAPISTRANO UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2023*

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges to other funds	\$ 76,216,239
All other fees and contracts	<u>210,823</u>
Total operating revenues	<u>76,427,062</u>
OPERATING EXPENSES	
Salaries and benefits	709,925
Supplies and materials	8,469
Services and other operating expenses	<u>70,895,648</u>
Total operating expenses	<u>71,614,042</u>
Operating Income (Loss)	4,813,020
NON-OPERATING REVENUES	
Interest income	<u>531,685</u>
Change in net position	5,344,705
Net position, July 1, 2022	<u>10,842,917</u>
Net position, June 30, 2023	<u>\$ 16,187,622</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities <u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 76,656,067
Cash received from all other sources	210,823
Cash payments for payroll, insurance and operating costs	<u>(73,989,327)</u>
Net cash provided (used) by operating activities	2,877,563
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>542,549</u>
Net increase (decrease) in cash and cash equivalents	3,420,112
Cash, July 1, 2022	<u>29,625,434</u>
Cash, June 30, 2023	<u>\$ 33,045,546</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 4,813,020
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	613,596
(Increase) decrease in due from other funds	(173,768)
Increase (decrease) in accounts payable	(76,004)
Increase (decrease) in due to other funds	415
Increase (decrease) in claims liability	<u>(2,299,696)</u>
Net cash provided (used) by operating activities	<u>\$ 2,877,563</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2023

	Debt Service Funds for Special Tax Bonds
ASSETS	
Deposits and investments	\$ 21,559,714
Accounts receivable	78,835
Total Assets	<u>21,638,549</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Restricted for CFD debt service	<u><u>\$ 21,638,549</u></u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2023

	Debt Service Funds for Special Tax Bonds
ADDITIONS	
Local property taxes	\$ 17,051,700
Interest	524,145
All other transfers in	<u>832,714</u>
Total Additions	<u>18,408,559</u>
DEDUCTIONS	
General administration	32,661
Debt service - interest	6,982,079
Debt service - principal	11,508,166
All other transfers out	<u>746,456</u>
Total Deductions	<u>19,269,362</u>
Change in fiduciary net position	(860,803)
Net position - July 1, 2022	<u>22,499,352</u>
Net position - June 30, 2023	<u><u>\$ 21,638,549</u></u>

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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).

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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)

Lessor: (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. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

9. Postemployment Benefits Other Than Pensions (OPEB)

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

12. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position (continued)

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

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

The District's minimum reserve standard is 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 266,843,067
Proprietary funds	33,045,546
Governmental Activities	<u>299,888,613</u>
Fiduciary funds	<u>21,559,714</u>
Total deposits and investments	<u><u>\$ 321,448,327</u></u>

Deposits and investments as of June 30, 2023 consist of the following:

Cash on hand and in banks	\$ 7,778,419
Cash in revolving fund	467,750
Investments	<u>313,202,158</u>
Total deposits and investments	<u><u>\$ 321,448,327</u></u>

Pooled Funds

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

Custodial Credit Risk – Deposits

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

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

As of June 30, 2023, none of the District's bank balance was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agency.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of 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, 2023, consist of the following:

	Rating	Reported Amount	Maturity		Fair Value Measurement
			Less Than One Year	One Year Through Five Years	
Investment maturities:					
U.S. Bank First American Treasury Obligations	AA	\$ 24,589,082	\$ 24,589,082	\$ -	Level 2
Orange County Investment Pool	N/A	288,613,076	288,613,076	-	Uncategorized
Total Investments		<u>\$ 313,202,158</u>	<u>\$ 313,202,158</u>	<u>\$ -</u>	

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2023, 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, 2023, 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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 RECEIVABLES

A. Accounts Receivable

Accounts receivable as of June 30, 2023, 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	\$ 19,691,937	\$ -	\$ 2,379,587	\$ 22,071,524	\$ -	\$ -
State Government:						
LCFF sources	5,416,241	-	-	5,416,241	-	-
Lottery	2,554,833	-	-	2,554,833	-	-
Categorical aid programs	15,870,071	-	3,389,446	19,259,517	-	-
Local:						
Interest	685,289	149,678	191,786	1,026,753	76,715	78,835
Other local	2,474,653	-	488,299	2,962,952	217,291	-
Total	\$ 46,693,024	\$ 149,678	\$ 6,449,118	\$ 53,291,820	\$ 294,006	\$ 78,835

B. Leases Receivable

In accordance with GASB No. 87, the District recognizes a lease receivable and a deferred inflow of resources for various real property leases. The District used either the stated interest rate or the State’s incremental borrowing rate, 2.4%, to discount the lease revenue to the net present value. For the fiscal year ended June 30, 2023, the District reported lease revenue of \$842,337 interest revenue of \$0, and deferred inflows of \$949,319 related to lease payments received. These leases have initial terms that range from two to three years. There are no variable payments not considered in the measurement of the lease receivable and the District has not issued debt for which the principal and interest payments are secured by the lease payments. Measurement policies and key estimates related to leases can be found in Note 1.E.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLES (continued)

B. Leases Receivable (continued)

The annual payments receivable as of June 30, 2023 are as follows:

Fiscal Year	Principal	Interest
2023-24	\$ 641,132	\$ 19,643
2024-25	177,307	4,255
Totals	<u>\$ 818,439</u>	<u>\$ 23,898</u>

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2023, consisted of the following:

	Due From Other Funds				Total
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	
General Fund	\$ -	\$ 442	\$ 442	\$ 302,021	\$ 302,463
Non-Major Governmental Funds	325,398	-	325,398	21,046	346,444
Self-Insurance Fund	666	-	666	-	666
Total	<u>\$ 326,064</u>	<u>\$ 442</u>	<u>\$ 326,506</u>	<u>\$ 323,067</u>	<u>\$ 649,573</u>
General Fund due to Self Insurance Fund for OPEB and Workers Comp				\$ 302,021	
General Fund to Cafeteria Fund for insurance					442
Child Development Fund to Self Insurance for OPEB and Workers Comp					6,487
Child Development Fund to General Fund for PARS and indirect costs					263,489
Cafeteria Fund due to General Fund for PARS and indirect costs					61,909
Cafeteria Fund due to Self Insurance Fund for OPEB and Workers Comp					13,252
Capital Facilities Fund due to Self Insurance Fund for OPEB and Workers Comp					1,307
Self Insurance Fund to General Fund for insurance					666
Total					<u>\$ 649,573</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 5 – FUND BALANCES

At June 30, 2023, 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	105,558	-	382,038	487,596
Prepaid expenditures	6,159	-	-	6,159
Total Nonspendable	<u>286,717</u>	<u>-</u>	<u>394,788</u>	<u>681,505</u>
Restricted:				
Categorical programs	87,478,745	-	1,679,040	89,157,785
Student body funds	-	-	6,018,805	6,018,805
Child nutrition program	-	-	17,182,363	17,182,363
Capital projects	-	49,700,665	20,573,208	70,273,873
Debt service	-	-	5,751,242	5,751,242
Total Restricted	<u>87,478,745</u>	<u>49,700,665</u>	<u>51,204,658</u>	<u>188,384,068</u>
Committed:				
One-time funds	7,768,794	-	-	7,768,794
Technology refresh	333,999	-	-	333,999
Chromebook refresh	206,857	-	-	206,857
LCFF supplemental	1,755,483	-	-	1,755,483
Library abatement	162,668	-	-	162,668
Teacher development carryover	232,784	-	-	232,784
Site supply carryover	849,691	-	-	849,691
Ed division carryover	771,096	-	-	771,096
Gift carryover	2,262,739	-	-	2,262,739
Total Committed	<u>14,344,111</u>	<u>-</u>	<u>-</u>	<u>14,344,111</u>
Assigned:				
Deferred maintenance program	3,069,319	-	-	3,069,319
Other assignments	-	-	2,030,307	2,030,307
Total Assigned	<u>3,069,319</u>	<u>-</u>	<u>2,030,307</u>	<u>5,099,626</u>
Unassigned:				
Reserve for economic uncertainties	14,000,000	-	-	14,000,000
Remaining unassigned balances	41,211,943	-	-	41,211,943
Total Unassigned	<u>55,211,943</u>	<u>-</u>	<u>-</u>	<u>55,211,943</u>
Total	<u>\$ 160,390,835</u>	<u>\$ 49,700,665</u>	<u>\$ 53,629,753</u>	<u>\$ 263,721,253</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2023

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2022*	Additions	Deletions	Balance, June 30, 2023
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 322,300,330	\$ 2,406,203	\$ -	\$ 324,706,533
Construction in progress	43,428,326	2,128,893	40,386,969	5,170,250
Total capital assets not being depreciated	<u>365,728,656</u>	<u>4,535,096</u>	<u>40,386,969</u>	<u>329,876,783</u>
Capital assets being depreciated				
Site improvements	49,127,057	2,861,928	-	51,988,985
Buildings	787,178,995	46,784,038	-	833,963,033
Furniture and equipment	43,780,026	9,423,720	-	53,203,746
Total capital assets being depreciated	<u>880,086,078</u>	<u>59,069,686</u>	<u>-</u>	<u>939,155,764</u>
Less accumulated depreciation:				
Site improvements	(32,027,121)	(2,486,591)	-	(34,513,712)
Buildings	(394,961,961)	(17,636,661)	-	(412,598,622)
Furniture and equipment	(34,144,093)	(2,197,083)	-	(36,341,176)
Total accumulated depreciation	<u>(461,133,175)</u>	<u>(22,320,335)</u>	<u>-</u>	<u>(483,453,510)</u>
Leased assets:				
Equipment leases	2,981,225	-	-	2,981,225
Accumulated amortization for:				
Equipment leases	-	(1,376,201)	-	(1,376,201)
Total leased assets, net	<u>2,981,225</u>	<u>(1,376,201)</u>	<u>-</u>	<u>1,605,024</u>
Subscription assets:				
IT Subscriptions	3,247,682	-	-	3,247,682
Accumulated amortization for:				
IT Subscriptions	-	(921,563)	-	(921,563)
Total leased assets, net	<u>3,247,682</u>	<u>(921,563)</u>	<u>-</u>	<u>2,326,119</u>
Governmental Activities Capital Assets, net	<u>\$ 790,910,466</u>	<u>\$ 38,986,683</u>	<u>\$ 40,386,969</u>	<u>\$ 789,510,180</u>

*As restated

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 20,869,514
Home-to-school transportation	558,008
Data processing	223,203
Plant services	<u>669,610</u>
Total	<u>\$ 22,320,335</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2023

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, 2023, were as follows:

	Balance, July 1, 2022*	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 13,256,444	\$ -	\$ 3,222,877	\$ 10,033,567	\$ 3,320,707
Accreted interest component	7,175,049	510,074	1,955,016	5,730,107	2,047,200
Unamortized issuance premium	321,185	-	321,185	-	-
Total - Bonds	20,752,678	510,074	5,499,078	15,763,674	5,367,907
Certificates of Participation:					
Principal repayments- 2012 Certificates	4,015,000	-	1,260,000	2,755,000	1,280,000
Principal repayments- 2017 Certificates	19,280,000	-	675,000	18,605,000	715,000
Unamortized issuance premium	75,995	-	21,706	54,289	21,706
Total - Certificates of participation	23,370,995	-	1,956,706	21,414,289	2,016,706
Financed Purchases	569,828	-	106,688	463,140	110,208
Leases	2,981,225	-	627,945	2,353,280	1,242,351
Subscription based IT arrangements	3,247,682	-	1,046,238	2,201,444	747,738
Compensated Absences	5,258,883	467,537	-	5,726,420	-
Supplemental Early Retirement Plan	3,238,548	-	3,238,548	-	-
Claims Liability	19,403,213	-	2,299,696	17,103,517	-
Totals	\$ 78,823,052	\$ 977,611	\$ 14,774,899	\$ 65,025,764	\$ 9,484,910

*As restated

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, leases, and subscription-based IT arrangements 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.

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, 2023, none of the defeased bonds remain outstanding.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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, 2023, deferred outflows on refunding were \$157,817, and the deferred inflows on refunding were \$684,406.

Below is a schedule of bonds issued and outstanding as of June 30, 2023.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
1999, Series B	3/14/2001	8/1/2025	4.0% - 5.1%	\$ 29,999,930	\$ 3,450,244	\$ -	\$ 903,571	\$ 2,546,673
2012 Ref.	12/19/2012	8/1/2026	3.0% - 4.0%	27,455,000	2,205,000	-	2,205,000	-
2022 Ref.	5/5/2022	8/1/2026	1.54%	7,601,200	7,601,200	-	114,306	7,486,894
				Totals	\$ 13,256,444	\$ -	\$ 3,222,877	\$ 10,033,567

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

Fiscal Year	Principal	Interest	Total
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	\$ 10,033,567	\$ 6,618,906	\$ 16,652,473

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, 2023, the principal balance outstanding on the 2012 Refunding Certificates of Participation was \$2,755,000.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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, 2023, the principal balance outstanding on the 2017 Certificates of Participation was \$18,605,000.

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, 2023, 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, 2023, deferred amounts on refunding were \$111,241.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2023-24	\$ 1,995,000	\$ 725,942	\$ 2,720,942
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
2027-28	905,000	574,687	1,479,687
2028-33	3,455,000	2,519,940	5,974,940
2033-38	4,695,000	1,763,489	6,458,489
2038-43	6,200,000	693,651	6,893,651
2043-44	220,000	4,422	224,422
Total	\$ 21,360,000	\$ 8,187,838	\$ 29,547,838

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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
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	\$ 463,140	\$ 38,829	\$ 501,969

D. Leases

The District is involved in several leases for equipment. The initial terms for these leases are 24 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the lease payments to the net present value. Other key assumptions and policies can be found in Note 1.E. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2023-24	\$ 1,242,351	\$ 2,453	\$ 1,244,804
2024-25	1,110,929	29,217	1,140,146
Totals	\$ 2,353,280	\$ 31,670	\$ 2,384,950

E. Subscription Based IT Arrangements

The District is involved in several arrangement for subscription based software. The initial terms for these subscriptions range from 24 to 72 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.E. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2023-24	\$ 747,738	\$ 52,880	\$ 800,618
2024-25	630,316	34,912	665,228
2025-26	531,234	19,761	550,995
2026-27	292,156	7,012	299,168
Totals	\$ 2,201,444	\$ 114,565	\$ 2,316,009

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

F. 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. This obligation was fully paid as of June 30, 2023.

G. 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 \$171,043,468 as of June 30, 2023, 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, 2023, 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	\$ 117,580,037	\$ 4,951,518	\$ 12,627,584	\$ 8,744,696
MPP Program	2,112,405	-	-	(396,275)
Totals	<u>\$ 119,692,442</u>	<u>\$ 4,951,518</u>	<u>\$ 12,627,584</u>	<u>\$ 8,348,421</u>

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan (continued)

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.

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%

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan (continued)

Benefits Provided (continued)

CSEA/CUMA/Teamsters (continued)

- 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 June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	232
Active employees	3,229
Total	<u>3,461</u>

Total OPEB Liability

The District's total OPEB liability of \$117,580,037 for the Plan was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022.

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 4.14% in 2076 and beyond; Dental cost increase is 4.0% per year.

Discount Rate

In accordance with GASB 75, the discount rate as of June 30, 2022 and June 30, 2023 is the 20-year municipal bond yield. As of June 30, 2022, a rate of 4.09% was used. As of June 30, 2023, a rate of 4.13% 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	<u>\$ 110,131,848</u>
Changes for the year:	
Service cost	5,760,504
Interest	4,631,464
Changes of assumptions	2,417,185
Benefit payments	<u>(5,360,964)</u>
Net changes	<u>7,448,189</u>
Balance at June 30, 2023	<u><u>\$ 117,580,037</u></u>

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

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 125,347,070
Current discount rate	\$ 117,580,037
1% increase	\$ 110,188,912

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

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

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 106,694,968
Current trend rate	\$ 117,580,037
1% increase	\$ 130,147,116

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan (continued)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$8,744,696. In addition, at June 30, 2023, 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	\$ -	\$ 3,300,261
Changes of assumptions	4,951,518	9,327,323
Totals	<u>\$ 4,951,518</u>	<u>\$ 12,627,584</u>

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

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ (1,647,272)
2025	(1,729,232)
2026	(1,955,702)
2027	(869,492)
2028	(914,265)
Thereafter	(560,103)
Totals	<u>\$ (7,676,066)</u>

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, 2021 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided (continued)

As of June 30, 2022, 4,770 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

Total OPEB Liability

At June 30, 2023, the District reported a liability of \$2,112,405 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, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Proportion of the Net OPEB Liability	0.641267%	0.628956%	0.012311%

For the year ended June 30, 2023, the District reported OPEB expense of \$(396,275).

Actuarial Assumptions and Other Inputs

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

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)

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 209 or an average of 0.14% of the potentially eligible population of 145,282.

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, 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, 2022, 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, 2022, was 3.54%, which is an increase of 1.38% from 2.16% as of June 30, 2021.

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	\$	2,819,383
Current discount rate	\$	2,112,405
1% increase	\$	1,947,439

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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	\$ 1,938,211
Current trend rate	\$ 2,112,405
1% increase	\$ 2,309,864

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, 2023, 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	\$ 296,903,137	\$ 89,217,966	\$ 51,131,438	\$ 8,733,522
CalPERS	166,885,456	92,841,343	43,779,162	23,950,556
Totals	<u>\$ 463,788,593</u>	<u>\$ 182,059,309</u>	<u>\$ 94,910,600</u>	<u>\$ 32,684,078</u>

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, 2021, 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
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, 2023, are presented above, and the District's total contributions were \$52,302,612.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

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

District's proportionate share of net pension liability	\$ 296,903,137
State's proportionate share of the net pension liability associated with the District	148,687,930
Total	<u>\$ 445,591,067</u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2023	June 30, 2022	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Proportion of the Net Pension Liability	0.427285%	0.418422%	0.008862%

For the year ended June 30, 2023, the District recognized pension expense of \$8,733,522. In addition, the District recognized pension expense and revenue of \$(11,120,775) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension contributions subsequent to measurement date	\$ 52,302,612	\$ -
Net change in proportionate share of net pension liability	21,947,567	14,350,760
Difference between projected and actual earnings on pension plan investments	-	14,519,139
Changes of assumptions	14,724,235	-
Differences between expected and actual experience	243,552	22,261,539
Totals	<u>\$ 89,217,966</u>	<u>\$ 51,131,438</u>

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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
2024	\$ 16,953,248	\$ 21,016,897
2025	4,741,448	21,605,320
2026	4,741,448	23,935,350
2027	4,135,965	(19,613,520)
2028	3,507,857	3,125,589
Thereafter	2,835,388	1,061,802
Totals	\$ 36,915,354	\$ 51,131,438

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, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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, 2022, 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%)	\$ 504,251,646
Current discount rate (7.10%)	\$ 296,903,137
1% increase (8.10%)	\$ 124,741,533

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. 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 \$23,852,619.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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, 2021 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, 2023, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

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, 2023 are presented above, and the total District contributions were \$21,358,120.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$166,885,456. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2023	June 30, 2022	
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.485004%	0.512298%	-0.027294%

For the year ended June 30, 2023, the District recognized pension expense of \$23,950,556. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 21,358,120	\$ -
Net change in proportionate share of net pension liability	7,099,917	8,047,627
Difference between projected and actual earnings on pension plan investments	51,283,844	31,579,211
Changes of assumptions	12,345,237	-
Differences between expected and actual experience	754,224	4,152,324
Totals	<u>\$ 92,841,343</u>	<u>\$ 43,779,162</u>

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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
2024	\$ 21,136,828	\$ 14,191,848
2025	20,118,094	14,131,841
2026	18,213,110	13,718,358
2027	12,015,191	1,737,116
2028	-	-
Thereafter	-	-
Totals	\$ 71,483,223	\$ 43,779,162

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

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

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 241,074,493
Current discount rate (6.9%)	\$ 166,885,456
1% increase (7.9%)	\$ 105,570,946

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, 2023, the District reported payables of \$13,521,482 and \$3,572,069 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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), Government Financial Services Joint Powers Authority (GFSJPA), 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, 2023, the District had commitments with respect to unfinished capital projects of approximately \$8.2 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, 2023.

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.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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, 2021 to June 30, 2023:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 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
Claims and changes in estimates	(1,584,542)	797,318	(787,224)
Claims payments	(1,461,796)	(50,676)	(1,512,472)
Liability Balance, June 30, 2023	<u>\$ 15,576,567</u>	<u>\$ 1,526,950</u>	<u>\$ 17,103,517</u>
Assets available to pay claims at June 30, 2023	<u>\$ 22,625,780</u>	<u>\$ 2,133,732</u>	<u>\$ 24,759,512</u>

NOTE 13 – ADJUSTMENTS FOR RESTATEMENT

The District has made the following adjustments for restatements:

	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances
Adjustments to assets for Associated Student Body (ASB) funds	\$ 239,360	\$ 239,360
Adjustments to investments for Special Reserve Fund for Capital Outlay Projects	(1,198,211)	(1,198,211)
Total adjustments for restatements	<u>\$ (958,851)</u>	<u>\$ (958,851)</u>

In addition, the balance as of July 1, 2022 of both lease receivables and deferred inflows has been restated by \$1,660,776 and the balance of leased assets and lease liability by \$2,981,225 to account for leases, which are required to be reported in governmental funds with the implementation of GASB 87. The beginning balance of subscription assets and subscription liabilities was similarly restated by \$3,247,682 to account for SBITAs, which are required to be reported in governmental funds with the implementation of GASB 96. These adjustments did not change the beginning fund balance or net position.

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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, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 446,857,502	\$ 478,352,883	\$ 477,025,195	\$ (1,327,688)
Federal	30,852,009	54,320,810	53,412,143	(908,667)
Other State	89,952,502	150,146,609	159,418,792	9,272,183
Other Local	5,691,789	20,010,244	17,695,971	(2,314,273)
Total Revenues	573,353,802	702,830,546	707,552,101	4,721,555
Expenditures				
Current:				
Certificated Salaries	265,285,617	285,018,817	283,459,432	1,559,385
Classified Salaries	81,378,800	91,594,592	90,288,818	1,305,774
Employee Benefits	180,085,169	170,111,926	168,423,926	1,688,000
Books and Supplies	33,917,957	28,025,634	21,205,821	6,819,813
Services and Other Operating Expenditures	58,026,352	72,393,306	70,667,645	1,725,661
Transfers of Indirect Costs	611,579	581,959	(599,759)	1,181,718
Capital Outlay	2,272,517	11,573,001	9,507,125	2,065,876
Other Outgo	11,470,542	8,148,995	9,072,280	(923,285)
Total Expenditures	633,048,533	667,448,230	652,025,288	15,422,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,694,731)	35,382,316	55,526,813	20,144,497
Fund Balance, July 1, 2022	159,474,786	100,013,832	100,013,832	-
Fund Balance, June 30, 2023	<u>\$ 99,780,055</u>	<u>\$ 135,396,148</u>	155,540,645	<u>\$ 20,144,497</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
			Deferred Maintenance Fund	3,069,319
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$</u>	<u>158,609,964</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportion of the net pension liability	0.4273%	0.4184%	0.4122%	0.3983%	0.4133%
District's proportionate share of the net pension liability	\$ 296,903,137	\$ 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	148,687,930	95,809,765	205,942,081	196,272,818	217,460,679
Totals	<u>\$ 445,591,067</u>	<u>\$ 286,225,406</u>	<u>\$ 605,441,663</u>	<u>\$ 556,032,305</u>	<u>\$ 597,273,631</u>
District's covered-employee payroll	<u>\$ 251,495,526</u>	<u>\$ 224,645,334</u>	<u>\$ 221,697,179</u>	<u>\$ 214,070,817</u>	<u>\$ 219,929,640</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.06%	89.75%	180.20%	168.06%	172.70%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
		<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
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		<u>\$ 600,387,199</u>	<u>\$ 557,230,995</u>	<u>\$ 457,208,328</u>	<u>\$ 397,061,846</u>
District's covered-employee payroll		<u>\$ 215,595,715</u>	<u>\$ 218,549,935</u>	<u>\$ 203,198,773</u>	<u>\$ 190,051,460</u>
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, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportion of the net pension liability	0.4850%	0.5123%	0.4790%	0.4823%	0.4836%
District's proportionate share of the net pension liability	\$ 166,885,456	\$ 104,172,947	\$ 146,964,918	\$ 140,575,475	\$ 128,938,817
District's covered-employee payroll	\$ 75,829,537	\$ 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	220.08%	133.26%	214.98%	214.03%	198.11%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
		<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
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, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually required contribution	\$ 52,302,612	\$ 42,553,043	\$ 36,280,221	\$ 37,910,218	\$ 34,850,729
Contributions in relation to the contractually required contribution	<u>52,302,612</u>	<u>42,553,043</u>	<u>36,280,221</u>	<u>37,910,218</u>	<u>34,850,729</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 273,835,664</u>	<u>\$ 251,495,528</u>	<u>\$ 224,645,334</u>	<u>\$ 221,697,179</u>	<u>\$ 214,070,817</u>
Contributions as a percentage of covered-employee payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution		\$ 31,735,847	\$ 27,121,941	\$ 23,450,408	\$ 18,044,051
Contributions in relation to the contractually required contribution		<u>31,735,847</u>	<u>27,121,941</u>	<u>23,450,408</u>	<u>18,044,051</u>
Contribution deficiency (excess):		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		<u>\$ 219,929,640</u>	<u>\$ 215,595,715</u>	<u>\$ 218,549,935</u>	<u>\$ 203,198,773</u>
Contributions as a percentage of covered-employee payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually required contribution	\$ 21,358,120	\$ 17,372,547	\$ 15,416,111	\$ 13,481,461	\$ 11,862,901
Contributions in relation to the contractually required contribution	<u>21,358,120</u>	<u>17,372,547</u>	<u>15,416,111</u>	<u>13,481,461</u>	<u>11,862,901</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 84,186,520</u>	<u>\$ 75,829,537</u>	<u>\$ 74,473,966</u>	<u>\$ 68,360,940</u>	<u>\$ 65,678,780</u>
Contributions as a percentage of covered-employee payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution		\$ 10,108,045	\$ 8,518,639	\$ 7,048,597	\$ 6,285,254
Contributions in relation to the contractually required contribution		<u>10,108,045</u>	<u>8,518,639</u>	<u>7,048,597</u>	<u>6,285,254</u>
Contribution deficiency (excess):		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		<u>\$ 65,083,027</u>	<u>\$ 61,338,126</u>	<u>\$ 59,496,894</u>	<u>\$ 53,396,092</u>
Contributions as a percentage of covered-employee payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2023

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB liability						
Service cost	\$ 5,760,504	\$ 6,778,346	\$ 6,512,034	\$ 5,063,382	\$ 5,093,384	\$ 5,473,982
Interest	4,631,464	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	2,417,185	(10,212,931)	3,537,227	(4,123,242)	1,415,125	1,110,160
Benefit payments	<u>(5,360,964)</u>	<u>(4,324,583)</u>	<u>(3,519,280)</u>	<u>(6,278,478)</u>	<u>(6,103,698)</u>	<u>(3,873,541)</u>
Net change in total OPEB liability	7,448,189	(7,388,148)	9,529,256	(5,849,942)	3,747,105	6,077,487
Total OPEB liability - beginning	<u>110,131,848</u>	<u>117,519,996</u>	<u>107,990,740</u>	<u>113,840,682</u>	<u>110,093,577</u>	<u>104,016,090</u>
Total OPEB liability - ending	<u>\$ 117,580,037</u>	<u>\$ 110,131,848</u>	<u>\$ 117,519,996</u>	<u>\$ 107,990,740</u>	<u>\$ 113,840,682</u>	<u>\$ 110,093,577</u>
Covered-employee payroll	<u>\$ 242,342,841</u>	<u>\$ 251,393,637</u>	<u>\$ 231,955,560</u>	<u>\$ 240,175,084</u>	<u>\$ 207,699,203</u>	<u>\$ 232,033,828</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>48.52%</u>	<u>43.81%</u>	<u>50.66%</u>	<u>44.96%</u>	<u>54.81%</u>	<u>47.45%</u>

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

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, 2023

*Last Ten Fiscal Years**

Employer's Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.6413%	0.6290%	0.6248%	0.6157%	0.6499%	0.6492%
District's proportionate share of net OPEB liability	\$ 2,112,405	\$ 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	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(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.*

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

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 4.09 percent to 4.13 percent since the previous valuation.

CAPISTRANO UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

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 2.16 percent to 3.54 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, 2023

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
Krista Castellanos	President	2024
Michael Parham	Vice President	2024
Amy Hanacek	Clerk	2024
Judy Bullockus	Member	2026
Lisa Davis	Member	2024
Gila Jones	Member	2026
Gary Prichard	Member	2026

District ADMINISTRATORS

Clark Hampton,
Interim Superintendent

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, 2023

	Second Period Report	Annual Report
Regular ADA & Extended Year:		
Grades TK-3	10,764.59	10,809.58
Grades 4-6	8,348.81	8,371.87
Grades 7-8	5,855.47	5,864.66
Grades 9-12	13,959.01	13,916.66
	<u>38,927.88</u>	<u>38,962.77</u>
Total Regular ADA		
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK-3	3.38	3.87
Grades 4-6	12.05	12.38
Grades 7-8	20.28	20.88
Grades 9-12	63.84	63.79
	<u>99.55</u>	<u>100.92</u>
Total Special Education, Nonpublic, Nonsectarian Schools ADA		
Community Day School ADA:		
Grades 9-12	3.63	3.53
	<u>3.63</u>	<u>3.53</u>
Total ADA		
	<u><u>39,031.06</u></u>	<u><u>39,067.22</u></u>
Attendance Supplement:		
Fallbrook Union High School District students in grades 9-12 attending Capistrano USD	125.76	124.73
	<u>125.76</u>	<u>124.73</u>

CAPISTRANO UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2023

<u>Grade Level</u>	<u>Instructional Minute Requirement</u>	<u>Instructional Minutes Offered</u>	<u>Instructional Days Offered</u>	<u>Status</u>
Kindergarten	36,000	47,830	180	Complied
Grade 1	50,400	50,405	180	Complied
Grade 2	50,400	50,405	180	Complied
Grade 3	50,400	50,405	180	Complied
Grade 4	54,000	54,005	180	Complied
Grade 5	54,000	54,005	180	Complied
Grade 6	54,000	57,650	180	Complied
Grade 7	54,000	57,650	180	Complied
Grade 8	54,000	57,650	180	Complied
Grade 9	64,800	64,800	180	Complied
Grade 10	64,800	64,800	180	Complied
Grade 11	64,800	64,800	180	Complied
Grade 12	64,800	64,800	180	Complied

CAPISTRANO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2023

General Fund	(Budget) 2024 ²	2023 ³	2022	2021
Revenues and other financing sources	\$ 638,894,301	\$ 707,552,101	\$ 588,453,962	\$ 552,779,293
Expenditures and other financing uses	<u>657,435,448</u>	<u>652,025,288</u>	<u>585,638,921</u>	<u>537,753,550</u>
Change in fund balance (deficit)	<u>(18,541,147)</u>	<u>55,526,813</u>	<u>2,815,041</u>	<u>15,025,743</u>
Ending fund balance	<u>\$ 136,999,498</u>	<u>\$ 155,540,645</u>	<u>\$ 100,013,832</u>	<u>\$ 97,198,791</u>
Available reserves ¹	<u>\$ 57,100,629</u>	<u>\$ 55,211,943</u>	<u>\$ 57,986,766</u>	<u>\$ 54,470,768</u>
Available reserves as a percentage of total outgo	<u>8.7%</u>	<u>8.5%</u>	<u>9.9%</u>	<u>10.1%</u>
Total long-term debt	<u>\$ 645,784,235</u>	<u>\$ 648,506,799</u>	<u>\$ 479,823,261</u>	<u>\$ 748,219,392</u>
Average daily attendance at P-2	<u>38,073</u>	<u>39,031</u>	<u>39,685</u>	<u>N/A</u>

The General Fund balance has increased by \$60.1 million over the past two years. The fiscal year 2023-24 adopted budget projects a decrease of \$18.5 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 surplus in each of the past three years, but anticipates incurring an operating deficit during the 2023-24 fiscal year. Long-term debt has decreased by \$99.7 million over the past two years.

Average daily attendance has decreased by 654 since the prior year. In 2023-24, ADA is projected to decrease by 958.

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

² Revised budget August, 2023.

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, 2023*

	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund Blended for Component Units*
June 30, 2023, annual financial and budget report (SACS) fund balance	\$ 13,741,104	\$ -
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Investments	(1,197,999)	3,029,156
Accounts receivable	-	11,749
Accounts payable	-	(24,027)
Net adjustments and reclassifications	<u>(1,197,999)</u>	<u>3,016,878</u>
June 30, 2023, audited financial statement fund balance	<u>\$ 12,543,105</u>	<u>\$ 3,016,878</u>

**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, 2023

Charter School		Inclusion in Financial
Name	Number	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, 2023

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	\$ 4,997,724	
School Breakfast Program - Especially Needy	10.553	13526	668,905	
National School Lunch Program	10.555	13523	1,782,431	
USDA Donated Foods	10.555	N/A	1,138,113	
Supply Chain Assistance (SCA) Funds	10.555	15655	<u>1,389,115</u>	
Total Child Nutrition Cluster				\$ 9,976,288
NSLP Equipment Assistance Grants	10.579	14906		81,346
Passed through Orange County Office of Education:				
Forest Reserve Funds	10.665	10044		<u>821</u>
Total U.S. Department of Agriculture				<u>10,058,455</u>
U.S. Department of Education:				
Indian Education	84.060	N/A		36,588
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		6,341,255
Title II, Part A, Supporting Effective Instruction	84.367	14341		1,696,312
English Language Acquisition State Grants				
Title III, Immigrant Education Program	84.365	15146	90,948	
Title III, Limited English Proficiency	84.365	14346	<u>584,178</u>	675,126
Subtotal English Language Acquisition State Grants				
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		543,865
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		126,920
Early Intervention Grants				
COVID-19 ARP IDEA Part C, Early Education Program	84.181X	25657	90,465	
Early Intervention Grants, Part C	84.181	23761	<u>51,074</u>	141,539
Subtotal Early Intervention Grants				
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893		304,013
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	7,887,584	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	15559	14,981,032	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund:				
Learning Loss	84.425D	10155	7,072,332	
American Rescue Plan-Homeless Children and Youth	84.425U	15564	136,487	
American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425U	15566	<u>107,419</u>	
Subtotal Education Stabilization Fund				
				30,184,854
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	8,630,345	
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	1,549,099	
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISP:	84.027	10169	73,166	
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	279,515	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	202,876	
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	2,496	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	<u>32,699</u>	
Total Special Education (IDEA) Cluster				
				11,298,313
Passed through California Dept. of Rehabilitation (CDE):				
Workability II, Transition Partnership	84.126	10006		<u>731,307</u>
Total U.S. Department of Education				<u>52,080,092</u>
U.S. Department of Homeland Security				
Passed through California Dept. of Emergency Services:				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	059-UCVX2		<u>1,331,231</u>
Total U.S. Department of Homeland Security				<u>1,331,231</u>
Total Expenditures of Federal Awards				<u>\$ 63,469,778</u>

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

CAPISTRANO UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2023

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.

Other Independent Auditors' Reports

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

Board of 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2023.

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.

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.

Handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California

September 19, 2023



**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

Opinion on 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 Unified School District's major federal programs for the year ended June 30, 2023. The Capistrano Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Capistrano Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

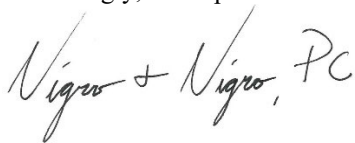
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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.

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

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.

Handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California

September 19, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE (Unmodified Opinion on State Compliance)

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

Report on Compliance

Opinion

We have audited the Capistrano Unified School District's (District) compliance with the requirements specified in the 2022-23 *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, 2023.

In our opinion, Capistrano 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, 2023.

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 2022-23 *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 Capistrano Unified School District's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 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 *2022-23 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
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

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
Transitional Kindergarten	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 Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2023-002.

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 an, accordingly, we express no opinion on the response.

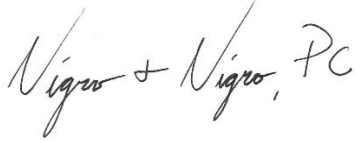
Report on Internal Control over Compliance

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 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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Murrieta, California

September 19, 2023

Schedule of Findings and Questioned Costs

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CAPISTRANO UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2023

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 (a)?	<u>Yes</u>

Identification of major programs:

Assistance Listing	
<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>81.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.425</u>	<u>Education Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,904,093</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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CAPISTRANO UNIFIED SCHOOL DISTRICT

Financial Statement Findings

For the Fiscal Year Ended June 30, 2023

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

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

There were no financial statement findings in 2022-23.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Federal Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

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).

Finding 2023-001: Title I – Compliance Requirement for Cohort Graduation Rate Not Met (30000) (50000) **Assistance Listing #84.010—Title I, U.S. Department of Education, California Department of Education**

Criteria: 34 CFR, section 200.19(b) states, in part:

High schools – (1) Graduation rate. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i) (A) A State must calculate a “four-year adjusted cohort graduation rate,” defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class.

(B) For those high schools that start after grade nine, the cohort must be calculated based on the earliest high school grade.

(ii) The term “adjusted cohort” means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term “students who transfer into the cohort” means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, immigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

(2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

Condition: During our review of the District’s Title I program, we noted that the District did not maintain written documentation supporting that a student has enrolled in another school or in an education program that culminates in the awarding of a regular high school diploma. The District is required to maintain official written documentation supporting that a student has enrolled in another school or in an educational program that culminates in the awarding of a regular high school diploma. A student who is retained in-grade or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rates, and must remain in the adjusted cohort.

Context: The CDE uses the student-level data maintained in CALPADS to calculate the four-year adjusted cohort graduation rate for all LEAs in the state. We selected three students who were identified in CALPADS as transfer students who withdrew from the District. The District was unable to provide any written documentation to confirm that six of these students transferred out of the District and emigrated to another county or enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

Effect/Questioned Costs: We were unable to determine whether the District implemented policies and procedures for documenting the removal of students from the regulatory adjusted cohort. There are no questioned costs as a result of this finding.

Cause: The District did not maintain adequate documentation to support the removal of a student from the regulatory adjusted cohort.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Federal Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Finding 2023-001: Title I – Compliance Requirement for Cohort Graduation Rate Not Met (30000) (50000)
Assistance Listing #84.010—Title I, U.S. Department of Education, California Department of Education –
(continued)

Recommendation: We recommend that the District implement appropriate controls necessary for documenting the removal of students from the regulatory adjusted cohort, and ensure that the supporting documentation is maintained.

Views of Responsible Officials: Education and Support Services has adopted a written policy for Adjusted Cohort Graduation Rate procedures to ensure all supporting documentation for students removed from the cohort is maintained. This collaborative effort includes personnel in State and Federal Programs, Technology Information Systems (TIS), Student Records, and School Site personnel.

CAPISTRANO UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

Finding 2023-002: School Accountability Report Card (72000)

Partial repeat of prior year finding 2022-002

Criteria: In accordance with Education Code §33126, the 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 Education 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 1st of each year.

Condition: At San Juan Hills High and Wagon Wheel Elementary, the information published on the SARC did not agree to the school's FIT. In both cases the FIT form showed a rating of "exemplary" for Overall School Rating and the SARC showed a rating of "good".

Question Costs: None.

Context: SARC reported conditions did not match the FIT Form consistently at two of the fifteen schools tested.

Cause: The SARCs were not properly updated to reflect the conditions reported on the FIT.

Effect: Without proper compliance, the public will be misinformed on the status of the school's facilities.

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

Views of Responsible Officials: Education and Support Services is reviewing its internal systems to ensure that FIT forms are properly reflected in the SARC.

CAPISTRANO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2022-001: (California Clean Energy Jobs Act)</i>	<p>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.</p> <p>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.</p>	40000	No recommendation, since no future final reports will be required	Implemented
<i>Finding 2022-002: (School Accountability Report Card)</i>	<p>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 Education 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.</p> <p>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).</p>	72000	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.	Not Implemented; See 2023-002

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

In planning and performing our audit of the basic financial statements of Capistrano Unified School District for the year ending June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated September 19, 2023 on the financial statements of Capistrano Unified School District.

DISTRICT OFFICE

Observation: The District has not taken a physical inventory of capital assets in a number of years. As a result, we observed several capital asset items on the District's capital asset inventory that were several years old (in some cases, as much as 40 or 50 years old), which are likely no longer owned or in use.

Recommendation: The District should either hire a consultant to perform a full physical inventory of all capital assets, or it should identify employees that can perform the inventory count in-house.

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

Murrieta, California
September 19, 2023