Financial Statements
June 30, 2021

Newport-Mesa Unified School District

EideBailly®

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newport-Mesa Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newport-Mesa Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle
As discussed in Notes 1 and 17 to the financial statements, Newport-Mesa Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 71, schedule of changes in the District's total OPEB liability and related ratios on page 72, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 73, schedule of the District's proportionate share of the net pension liability on pages 74 and 75, and the schedule of District contributions on pages 76 and 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newport-Mesa Unified School District's financial statements. The combining non-major governmental fund financial statements, 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.

The combining non-major governmental fund financial statements, the Schedule of Expenditures of Federal Awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements, the Schedule of Expenditures of Federal Awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2022 on our consideration of Newport-Mesa Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Newport-Mesa Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newport-Mesa Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
January 18, 2022

This section of Newport-Mesa Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ending June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Governmental-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

All of the District's services are reported in governmental activities. This includes the education of Transitional kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education and the California Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for community facility district (CFD) activities. The District's fiduciary activities are reported in the Statement of Net Position and Statement of Changes in Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Major financial highlights for the 2020-2021 year include Governmental Accounting Standards Board (GASB) changes and robust growth in revenues and expenditures. The District's financial audit reports are formatted according to standards that are set by GASB. These standards essentially govern what is counted, how it is counted, and how it is displayed.

The Statement of Net Position represents the District's financial net worth. The District's financial net worth consists of everything the District owns (land, buildings, cash etc.,) less District obligations. A positive balance is good; a negative balance reflects that the District owes more than available resources, effective on the date of the report. Before GASB issued Statements 68, 71 and 75, the District had a substantial positive Net Position Statement. After the inclusion of pension and OPEB liabilities, the District's Net Position turned negative.

The District has very little control over the pension liability. The factors driving the pension liability are determined by the State. As such, the only control the District has to reduce the pension liability is to either eliminate staff or fund the liability. Wall Street analysts recognize the District has no control over pension liabilities. Consequently, Moody's Investors Services in 2021 bestowed its second highest credit rating to the District. A high credit rating is valuable to the community and allows the Board to fulfill its objective of enriching the community; in the last general obligation bond debt offering the Board saved the District taxpayers over $140M due to its high credit rating.

In contrast to the pension liability, the Board of Education has some flexibility to impact OPEB liability with cost management through health & welfare plan design and/or liability advance funding. Cost management through plan design may include increased cost shifting to employees and retirees, separately underwriting retirees from current employees to eliminate the implicit subsidy, increasing the length of time employees must work to be eligible, capping the District's total cost exposure, imposing higher levels of managed care, and/or shifting in whole or in part to a defined contribution instead of a defined benefit plan. The other option available to manage cost is by pre-funding the liability with irrevocable contributions. Irrevocable contributions are allocated on a full-time equivalent basis, across all restricted and unrestricted programs.

In anticipation of the need to fund OPEB liability, the Board of Education passed resolution #33-03-05 on March 8, 2005 creating a Special Reserve/Retiree Benefit fund for the purpose of accumulating monies for OPEB liability. This fund is used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of OPEB but has not contributed irrevocably to a separate trust for OPEB. The balance of this fund as of June 30, 2021 is $19,592,984. These funds are only earmarked for OPEB purposes and therefore, revocable. Consequently, this balance is not credited towards funding OPEB liability and therefore does not reduce the District's liability as presented on its Net Position Statement.

The District's choice to earmark funding rather than irrevocably dedicating funds to OPEB liabilities has provided flexibility for the Board of Education to pursue substantial long-term high priority projects including air conditioning and curriculum updates. Beginning in 2021-2022, the District will begin making irrevocable OPEB contributions. GASB Statement 75 cost assumptions have slightly increased the District's OPEB liability, from $119,890,958 in 2019-2020 to $130,302,900 in 2020-2021. Given the liability is substantial, it is incumbent upon the District to consider a proactive, measured approach to resolving this unfunded liability.

The District continues to experience robust growth in both revenues and expenditures. Year over year increases from 2019-2020 to 2020-2021 for revenue and expense are 10.2% and 11.3%, respectively. Expenditures are increasing at a faster pace than revenues. This is unsustainable and concerning. Adjustments will be implemented on a going forward basis to bring revenue and expenditure rates of growth into alignment. The revenue growth reveals a stout property value environment, and the expenditure increases reflect the District's substantial progress on a number of projects including COVID-19 response, multiple curriculum adoptions, lower class sizes, site air conditioning, and site physical security upgrades. For the time being, the District is in a fortunate financial position that will allow for the continuation of these projects. However, the real estate market has a tremendous impact on District revenues; subsequently, the local real estate market is actively monitored, and all indications point to a slowing of real estate value gains. The District's multi-year forecasts prudently factor in moderating market growth on a going forward basis.

In spite of expected slower revenue growth, the District expects to maintain its level of significant programs and services. This is a direct result of the Board of Education's fiscal prudence and foresight.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(181,973,810) for the fiscal year ended June 30, 2021. Of this amount, $(390,339,393) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1 - Net Position) and change in net position (Table 2 - Changes in Net Position) of the District's governmental activities.

Table 1

	Governmental Activities	
	2021	2020 as restated
Assets		
Current and other assets	$ 268,814,993	$ 235,481,418
Capital assets	347,901,835	353,013,939
Total assets	616,716,828	588,495,357
Deferred outflows of resources	98,934,181	107,421,707
Liabilities		
Current liabilities	27,413,650	26,407,237
Long-term liabilities othan than OPEB and pension	365,512,533	366,025,815
Other postemployment benefit liability	132,087,079	121,470,255
Aggregate net pension liability	351,094,121	327,110,779
Total liabilities	876,107,383	841,014,086
Deferred inflows of resources	21,517,436	27,378,098
Net Position		
Net investment in capital assets	137,502,024	134,855,244
Restricted	70,863,559	50,334,008
Unrestricted	(390,339,393)	(357,664,372)
Total net position	$ (181,973,810)	$ (172,475,120)

The $(390,339,393) in unrestricted (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements- decreased by 9.1% from $(357,664,372) in 2020.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2021	2020 *
Revenues		
Program revenues		
Charges for services	$ 1,554,579	$ 3,530,735
Operating grants and contributions	75,538,568	56,322,602
Capital grants and contributions	8,891,711	425,201
General revenues		
Federal and State aid not restricted	16,008,175	16,698,975
Property taxes	311,134,126	294,145,025
Other general revenues	23,103,718	28,298,327
Total revenues	436,230,877	399,420,865
Expenses		
Instruction-related	285,595,704	269,260,980
Pupil services	38,279,926	36,079,544
Administration	26,708,169	21,761,887
Plant services	43,653,085	35,427,713
All other services	51,492,683	54,457,877
Total expenses	445,729,567	416,988,001
Change in net position	$ (9,498,690)	$ (17,567,136)

* The revenues and expenses for fiscal year 2020 were not restated to show the effect of GASB 84 for comparative purposes.

Governmental Activities

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was $445,729,567.

The Change in Net Position represents the total expense less:

1. The costs paid by those who benefited from the programs ($1,554,579).
2. By other governments and organizations who subsidized certain programs with grants and contributions ($100,438,454).
3. Property tax collections from local taxpayers ($311,134,126); and
4. Other locally generated revenues ($23,103,718).

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020 *	2021	2020 *
Instruction-related	$ 285,595,704	$ 269,260,980	$ (219,792,466)	$ (226,836,442)
Pupil services	38,279,926	36,079,544	(27,459,397)	(26,136,059)
Administration	26,708,169	21,761,887	(23,456,004)	(19,797,273)
Plant services	43,653,085	35,427,713	(41,879,317)	(35,331,003)
All other services	51,492,683	54,457,877	(47,157,525)	(48,608,686)
Total	$ 445,729,567	$ 416,988,001	$ (359,744,709)	$ (356,709,463)

* The total cost and net cost of services for fiscal year 2020 were not restated to show the effect of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $225,656,745, which is an increase of $30,179,072 from last year (Table 4 - Governmental District Funds).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	$ 89,061,697	$ 383,785,035	$ 352,795,621	$ 120,051,111
Student Activity	1,657,698	1,389,370	1,556,886	1,490,182
Child Development	729,787	3,393,723	3,418,532	704,978
Cafeteria	100,001	8,544,422	8,194,803	449,620
Building	28,581,683	269,654	866,465	27,984,872
Capital Facilities	9,407,345	1,104,373	44,529	10,467,189
County School Facilities	22,878,744	8,891,711	-	31,770,455
Special Reserve Fund for Capital Outlay Projects	31,454,675	5,236,362	16,832,717	19,858,320
Bond Interest and Redemption	11,606,043	14,561,515	13,287,540	12,880,018
Total	$ 195,477,673	$ 427,176,165	$ 396,997,093	$ 225,656,745

The increase in the combined fund balance can be attributed to an increase of $30,989,414 and $8,891,711 within the General Fund and County School Facilities fund, respectively. This increase was partially offset by a decrease of $11,596,355 in the Special Reserve Fund for Capital Outlay Projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 71.) The District experienced a total fund balance increase of $30,989,414 million between its final and actual budgets. This increase can be attributed to favorable property tax, federal, other state and local support. Drivers of the variances include the following:

- The District enjoys strong community financial support which accumulates over the course of the year resulting in large revenue budget variances between original and final budgets.
- Budgeted expenditures reflect a spend-every-dollar assumption which does not occur on an actual basis resulting in favorable expenditure budget variances.
- Substantial property tax revenue was realized throughout the year which was undeterminable at the time the budget was published.
- Recognition of COVID-19 related Federal funding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had $347,901,835 in a broad range of capital assets, including land, buildings, and furniture and equipment based on historical value. This amount represents a net decrease (including additions, deductions, and depreciation) of $5,112,104, or 1.4%, from last year.

	Governmental Activities	
	2021	2020
Land and construction in progress	$ 57,744,503	$ 46,079,459
Land improvements	57,882,342	60,748,912
Buildings and improvements	221,581,028	235,580,445
Equipment	10,693,962	10,605,123
Total	$ 347,901,835	$ 353,013,939

Several capital projects are planned for the 2021-2022 year. Additional detail regarding capital assets is provided in Note 4 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had $848,693,733 in outstanding debt versus $814,606,849 last year, an increase of 4.2%. The increase can be attributed to increases in Aggregate net pension liability and Net OPEB liability. The District's outstanding long-term liabilities at year-end consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	$ 339,490,644	$ 336,418,038
California energy commission loan	857,145	1,285,716
Unamortized premium	8,812,810	9,648,818
Capital leases	44,814	65,197
Compensated absences	4,200,070	4,609,951
Claims liability	12,107,050	13,998,095
Net OPEB liability	132,087,079	121,470,255
Aggregate net pension liability	351,094,121	327,110,779
Total	$ 848,693,733	$ 814,606,849

The Moody Corporation studied the District's finances in June of 2021 and assigned its second highest rating, "Aa1" to the District. The Aa1 rating reflects the District's exceptionally strong tax base, its prudent fiscal policy, and reserve levels. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $339,490,644 is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable and estimated insurance claims. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:

Following the guidelines provided in the District's strategic plan, District staff has made significant achievements in 2020-2021. Just a few of those achievements are listed below:

- The U.S. News and World Report's 2021 Best Highs recognized Corona Del Mar and Newport Harbor in the top 500 in California Rankings. This poll took into consideration six factors: (1) college readiness, (2) reading and math proficiency, (3) reading and math performance, (4) underserved student performance, (5) college curriculum breadth and (6) graduation rates.
- Early College High School was recognized as a California Distinguished Schools in 2021.

Due to the financial prudence and foresight of the District's Board of Education, the District has been able to maintain its level of significant programs and services and still remain on a sound financial footing.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The COVID-19 Pandemic introduced extreme uncertainty. Beginning March 2020, the economy was shut down and the District closed its school sites. The State issued a 2020-21 May Revise Budget that included a 10% reduction. The District assumed this reduction in its June Budget Adoption. However, the State reversed those reductions, replacing them with apportionment deferrals. The District has received Federal COVID funding and is responding appropriately; expenditures are spiking. Consequently, substantial budget variances are expected in the 2021-2022 Fiscal Year. The situation remains fluid and will no doubt require adjustments as the year progresses. These adjustments will be reflected in the District's First and Second Interim Reports.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

	Governmental Activities
Assets	
Deposits and investments	$ 246,862,987
Receivables	21,631,831
Prepaid expense	16,248
Stores inventories	303,927
Capital assets not depreciated	57,744,503
Capital assets, net of accumulated depreciation	290,157,332
Total assets	616,716,828
Deferred Outflows of Resources	
Deferred charge on refunding	12,005,726
Deferred outflows of resources related to OPEB	6,420,460
Deferred outflows of resources related to pensions	80,507,995
Total deferred outflows of resources	98,934,181
Liabilities	
Accounts payable	20,064,681
Interest payable	1,457,125
Unearned revenue	5,891,844
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	11,698,830
Long-term liabilities other than OPEB and pensions due in more than one year	353,813,703
Total other postemployment benefit (OPEB) liability	132,087,079
Aggregate net pension liability	351,094,121
Total liabilities	876,107,383
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	6,799,423
Deferred inflows of resources related to pensions	14,718,013
Total deferred inflows of resources	21,517,436
Net Position	
Net investment in capital assets	137,502,024
Restricted for	
Debt service	11,422,893
Capital projects	42,219,161
Educational programs	9,643,546
Other restrictions	7,577,959
Unrestricted	(390,339,393)
Total net position	$ (181,973,810)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 234,299,716	$ 177,386	$ 46,925,277	$ 8,891,711	$ (178,305,342)
Instruction-related activities					
Supervision of instruction	18,175,504	41,637	4,244,906	-	(13,888,961)
Instructional library, media, and technology	6,373,484	596	2,994,530	-	(3,378,358)
School site administration	26,747,000	7,731	2,519,464	-	(24,219,805)
Pupil services					
Home-to-school transportation	7,108,760	-	33,228	-	(7,075,532)
Food services	8,502,857	101,324	5,309,605	-	(3,091,928)
All other pupil services	22,668,309	50,356	5,326,016	-	(17,291,937)
Administration					
Data processing	9,953,721	-	553,005	-	(9,400,716)
All other administration	16,754,448	8,048	2,691,112	-	(14,055,288)
Plant services	43,653,085	3,560	1,770,208	-	(41,879,317)
Ancillary services	4,669,238	28,390	165,009	-	(4,475,839)
Enterprise services	18,380	-	-	-	(18,380)
Interest on long-term liabilities	15,719,184	-	-	-	(15,719,184)
Other outgo	3,373,592	1,135,551	3,006,208	-	768,167
Depreciation (unallocated)	27,712,289	-	-	-	(27,712,289)
Total governmental activities	$ 445,729,567	$ 1,554,579	$ 75,538,568	$ 8,891,711	(359,744,709)
General Revenues and Subventions					
Property taxes, levied for general purposes					295,892,454
Property taxes, levied for debt service					14,461,897
Taxes levied for other specific purposes					779,775
Federal and State aid not restricted to specific purposes					16,008,175
Interest and investment earnings					1,721,914
Miscellaneous					21,381,804
Subtotal, general revenues					350,246,019
Change in Net Position					(9,498,690)
Net Position - Beginning, as restated					(172,475,120)
Net Position - Ending					$ (181,973,810)

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 127,868,947	$ 28,074,776	$ 31,755,495	$ 41,853,476	$ 229,552,694
Receivables	19,903,142	13,561	15,339	1,689,894	21,621,936
Due from other funds	799,725	-	-	5,004,915	5,804,640
Prepaid expenditures	16,248	-	-	-	16,248
Stores inventories	142,433	-	-	161,494	303,927
Total assets	$ 148,730,495	$ 28,088,337	$ 31,770,834	$ 48,709,779	$ 257,299,445
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 17,950,962	$ 103,465	$ 379	$ 1,893,305	$ 19,948,111
Due to other funds	5,004,915	-	-	797,830	5,802,745
Unearned revenue	5,723,507	-	-	168,337	5,891,844
Total liabilities	28,679,384	103,465	379	2,859,472	31,642,700
Fund Balances					
Nonspendable	308,681	-	-	161,494	470,175
Restricted	9,643,546	27,984,872	31,770,455	26,704,299	96,103,172
Assigned	94,121,884	-	-	18,984,514	113,106,398
Unassigned	15,977,000	-	-	-	15,977,000
Total fund balances	120,051,111	27,984,872	31,770,455	45,850,307	225,656,745
Total liabilities and fund balances	$ 148,730,495	$ 28,088,337	$ 31,770,834	$ 48,709,779	$ 257,299,445

Total Fund Balance - Governmental Funds		$ 225,656,745
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 680,225,100	
Accumulated depreciation is	(332,323,265)	
Net capital assets		347,901,835
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(1,457,125)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		5,094,673
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	12,005,726	
Net other postemployment benefits (OPEB)	6,420,460	
Net pension liability	80,507,995	
Total deferred outflows of resources		98,934,181
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net other postemployment benefits (OPEB)	(6,799,423)	
Net pension liability	(14,718,013)	
Total deferred inflows of resources		(21,517,436)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(351,094,121)

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (132,087,079)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	$ (240,675,640)	
Unamortized premium on bonds	(8,812,810)	
Capital leases	(44,814)	
Compensated absences (vacations)	(4,200,070)	
California energy commission loan	(857,145)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(98,815,004)	
Total long-term liabilities		(353,405,483)
Total net position - governmental activities		$ (181,973,810)

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	$ 306,999,488	$ -	$ -	$ -	$ 306,999,488
Federal sources	23,073,616	-	-	5,177,916	28,251,532
Other State sources	44,164,773	-	8,604,815	3,582,878	56,352,466
Other local sources	9,547,158	269,654	286,896	17,463,971	27,567,679
Total revenues	383,785,035	269,654	8,891,711	26,224,765	419,171,165
Expenditures					
Current					
Instruction	197,961,859	-	-	2,445,539	200,407,398
Instruction-related activities					
Supervision of instruction	15,411,191	-	-	550,726	15,961,917
Instructional library, media, and technology	5,820,758	-	-	-	5,820,758
School site administration	22,972,447	-	-	157,663	23,130,110
Pupil services					
Home-to-school transportation	6,505,642	-	-	-	6,505,642
Food services	136,556	-	-	7,805,540	7,942,096
All other pupil services	19,348,616	-	-	-	19,348,616
Administration					
Data processing	9,318,213	-	-	-	9,318,213
All other administration	15,089,583	-	-	633,972	15,723,555
Plant services	41,695,670	-	-	64,424	41,760,094
Ancillary services	2,800,850	-	-	1,556,886	4,357,736
Other outgo	3,373,592	-	-	-	3,373,592
Facility acquisition and construction	4,335,261	866,465	-	16,390,823	21,592,549
Debt service					
Principal	20,383	-	-	10,543,571	10,563,954
Interest and other	-	-	-	3,185,863	3,185,863
Total expenditures	344,790,621	866,465	-	43,335,007	388,992,093
Excess (Deficiency) of Revenues Over Expenditures	38,994,414	(596,811)	8,891,711	(17,110,242)	30,179,072
Other Financing Sources (Uses)					
Transfers in	-	-	-	8,005,000	8,005,000
Transfers out	(8,005,000)	-	-	-	(8,005,000)
Net Financing Sources (Uses)	(8,005,000)	-	-	8,005,000	-
Net Change in Fund Balances	30,989,414	(596,811)	8,891,711	(9,105,242)	30,179,072
Fund Balance - Beginning, as restated	89,061,697	28,581,683	22,878,744	54,955,549	195,477,673
Fund Balance - Ending	$ 120,051,111	$ 27,984,872	$ 31,770,455	$ 45,850,307	$ 225,656,745

Total Net Change in Fund Balances - Governmental Funds		$ 30,179,072
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period		
Depreciation expense	$ (27,712,289)	
Capital outlays	22,600,185	
Net expense adjustment		(5,112,104)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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). This amount is the difference between vacation earned and used.		409,881
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(20,808,669)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(15,786,481)
Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		836,008
Deferred amount on refunding amortization		(631,880)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	$ 10,115,000
California energy commission loan	428,571
Capital leases	20,383
Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $450,157, and second, $13,187,606 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(12,737,449)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	3,588,978
Change in net position of governmental activities	$ (9,498,690)

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 17,310,293
Receivables	9,895
Total assets	17,320,188
Liabilities	
Current liabilities	
Accounts payable	116,570
Due to other funds	1,895
Current portion of claims liabilities	524,019
Total current liabilities	642,484
Noncurrent liabilities	
Claims liabilities - net of current portion	11,583,031
Total liabilities	12,225,515
Net Position	
Restricted for self-insurance activities	$ 5,094,673

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	$ 3,691,123
Operating Expenses	
Payroll costs	162,943
Professional and contract services (credit)	(131,914)
Other operating cost	221,299
Total operating expenses	252,328
Operating Income	3,438,795
Nonoperating Revenues	
Interest income	119,685
Change in Net Position	3,588,978
Total Net Position - Beginning	1,505,695
Total Net Position - Ending	$ 5,094,673

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash received from assessments made to other funds	$ 3,696,074
Cash payments to other suppliers of goods or services	(1,759,758)
Cash payments to employees for services	(162,943)
Other operating cash payments	(221,299)
Net Cash From Operating Activities	1,552,074
Investing Activities	
Interest on investments	150,183
Net Change in Cash and Cash Equivalents	1,702,257
Cash and Cash Equivalents, Beginning	15,608,036
Cash and Cash Equivalents, Ending	$ 17,310,293
Reconciliation Of Operating Income To Net Cash From Operating Activities	
Operating income	$ 3,438,795
Changes in assets and liabilities	
Receivables	5,051
Accrued liabilities	(627)
Due to other funds	(100)
Claims liability	(1,891,045)
Net Cash From Operating Activities	$ 1,552,074

	Custodial Funds
Assets	
Deposits and investments	$ 1,277,686
Net Position	
Restricted for individuals, organizations, and other governments	$ 1,277,686

	Custodial Funds
Additions	
Special tax assessment	$ 662,743
Other revenues	34,109
Interest	119
Total additions	696,971
Deductions	
Debt service payments	1,272,675
Other expenditures	115,716
Total deductions	1,388,391
Change In Fiduciary Net Position	(691,420)
Net Position - Beginning, as restated	1,969,106
Net Position - Ending	$ 1,277,686

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Newport-Mesa Unified School District (the District) was unified in 1966 under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades TK-12 as mandated by the State and Federal agencies. The District operates 22 elementary schools, two middle schools, two 7-12 grade schools, two comprehensive high schools, one early college high school, and two alternative education centers for a total of 32 schools.

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, boards, and agencies that are not legally separate from the District. For Newport-Mesa Unified School District, this includes general operations, food service, and student related activities of the District.

Joint Venture

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. 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.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $50,612,462 as of June 30, 2021.

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds (Measure F) and the acquisition of major governmental capital facilities and buildings.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D). The fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Non-Major Governmental Funds

Special Revenue Funds The 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 Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project Funds are used 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** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (Education Code Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service Funds are used to account for the accumulation resources for, and the payment of, principal and interest on general long-term obligations.

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

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Internal Service** Fund Internal Service Fund may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an Internal Service Fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are for the Community Facilities District No. 90-1.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All Governmental Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

- **Proprietary Funds** Proprietary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

- **Fiduciary Funds** Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior t the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on general long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental-type funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portable classrooms and structures, 25 years; equipment, five to 15 years; vehicles, 15 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs and costs of refunding as debt service expenditures. Issuance costs, and costs of refunding, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to pension contributions subsequent to the measurement date, difference between expected and actual experience, differences between expected and actual earnings on investments, changes of assumptions, and other pensions and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The deferred inflows of resources related to pension and OPEB relate to differences between expected and actual experience, and other pension and OPEB related items.

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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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 the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, Superintendent or designee may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $70,863,559 of restricted net position, which is restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 17.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	$ 229,552,694
Proprietary funds	17,310,293
Fiduciary funds	1,277,686
Total deposits and investments	$ 248,140,673

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

Cash on hand and in banks	$ 6,386,140
Cash in revolving	150,000
Investments	241,604,533
Total deposits and investments	$ 248,140,673

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the net asset value basis. The Orange County Educational Investment and the Los Angeles County Treasury Investment Pools have a daily redemption frequency period and a one-day redemption notice period.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Educational Investment Pool and Los Angeles County Treasury Investment Pool and short-term money market funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days
Orange County Educational Investment Pool	$ 239,824,354	375
Los Angeles County Treasury Investment Pool	502,493	1045
Federated Treasury Obligations Fund	1,277,686	28
Total	$ 241,604,533	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Federated Treasury Obligations Fund are rated AAA by Standard and Poor's. The District's investment in the Orange County Educational Investment Pool and Los Angeles County Treasury Investment Pool are not required to be rated, nor have they been rated.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. The District's policy states that monies received and deposited with a financial institution shall be in accounts that are fully covered by Federal insurance. 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% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of $6,334,379 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging of financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Serivce Fund	Total Governmental Activities
Federal Government						
Categorical aid	$ 9,503,116	$ -	$ -	$ 1,002,035	$ -	$ 10,505,151
State Government						
LCFF apportionment	2,640,652	-	-	-	-	2,640,652
Categorical aid	264,275	-	-	577,626	-	841,901
Lottery	1,328,568	-	-	-	-	1,328,568
Special education	4,799,733	-	-	-	-	4,799,733
Local Government						
Interest	66,927	13,561	15,339	13,357	8,088	117,272
Other local sources	1,299,871	-	-	96,876	1,807	1,398,554
Total	$ 19,903,142	$ 13,561	$ 15,339	$ 1,689,894	$ 9,895	$ 21,631,831

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	$ 21,548,963	$ -	$ -	$ 21,548,963
Construction in progress	24,530,496	21,476,129	(9,811,085)	36,195,540
Total capital assets not being depreciated	46,079,459	21,476,129	(9,811,085)	57,744,503
Capital assets being depreciated				
Land improvements	86,746,614	1,509,362	-	88,255,976
Buildings and improvements	495,404,740	8,263,068	(86,450)	503,581,358
Furniture and equipment	29,703,051	1,162,711	(222,499)	30,643,263
Total capital assets being depreciated	611,854,405	10,935,141	(308,949)	622,480,597
Total capital assets	657,933,864	32,411,270	(10,120,034)	680,225,100
Accumulated depreciation				
Land improvements	(25,997,702)	(4,375,932)	-	(30,373,634)
Buildings and improvements	(259,824,295)	(22,262,485)	86,450	(282,000,330)
Furniture and equipment	(19,097,928)	(1,073,872)	222,499	(19,949,301)
Total accumulated depreciation	(304,919,925)	(27,712,289)	308,949	(332,323,265)
Governmental activities capital assets, net	$ 353,013,939	$ 4,698,981	$ (9,811,085)	$ 347,901,835

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Unallocated	$ 27,712,289

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 797,830	$ 1,895	$ 799,725
Non-Major Governmental Funds	5,004,915	-	-	5,004,915
Total	$ 5,004,915	$ 797,830	$ 1,895	$ 5,804,640

A balance of $674,848 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from reimbursement of various operating costs, including indirect costs.

A balance of $122,982 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from reimbursement of various operating costs, including indirect costs.

A balance of $4,915 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from an operating contribution.

A balance of $5,000,000 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund resulted from reimbursement of ongoing construction costs and for future projects.

A balance of $1,895 due to the Internal Service Fund from the General Fund resulted from reimbursement of June postage.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of construction costs related to ongoing and future Capital Outlay Projects.	$ 5,000,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for an operating contributions.	3,005,000
Total	$ 8,005,000

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 9,693,641	$ -	$ -	$ 614,255	$ 18,241	$ 10,326,137
Vendor payables	314,454	335	379	1,428	200	316,796
Supplies	3,359,841	-	-	130,054	-	3,489,895
Services	4,239,375	-	-	11,504	98,129	4,349,008
Construction	343,651	103,130	-	1,136,064	-	1,582,845
Total	$ 17,950,962	$ 103,465	$ 379	$ 1,893,305	$ 116,570	$ 20,064,681

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 2,146,294	$ -	$ 2,146,294
State categorical aid	3,536,028	-	3,536,028
Other local	41,185	168,337	209,522
Total	$ 5,723,507	$ 168,337	$ 5,891,844

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 336,418,038	$ 13,187,606	$ (10,115,000)	$ 339,490,644	$ 10,730,000
Unamortized premium	9,648,818	-	(836,008)	8,812,810	-
California energy commission loan	1,285,716	-	(428,571)	857,145	428,571
Capital leases	65,197	-	(20,383)	44,814	16,240
Compensated absences	4,609,951	-	(409,881)	4,200,070	-
Claims liability	13,998,095	(1,367,026)	(524,019)	12,107,050	524,019
Total	$ 366,025,815	$ 11,820,580	$ (12,333,862)	$ 365,512,533	$ 11,698,830

Payments on the general obligation bonds are paid by the Bond Interest and Redemption Fund. Capital lease payments are made by the General Fund. The compensated absences will be paid by the General Fund, Child Development Fund, Cafeteria Fund, and the Internal Service Fund. The Internal Service Fund will pay the estimated insurance claims liabilities. California energy commission loan is paid by the Special Reserve Fund for Capital Outlay Projects.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
1/1/07	8/1/31	3.3-4.5%	$ 70,443,480	$ 73,081,319	$ 3,085,339	$ (4,430,000)	$ 71,736,658
11/9/10	8/1/26	2.0-5.0%	68,660,000	5,010,000	-	(5,010,000)	-
6/8/11	8/1/46	3.6-7.3%	95,000,670	110,938,756	7,320,223	(675,000)	117,583,979
8/10/17	8/1/46	3.9-5.0%	80,546,666	86,997,963	2,782,044	-	89,780,007
8/15/17	8/1/39	2.0-5.0%	28,130,000	27,430,000	-	-	27,430,000
5/5/20	8/1/26	5.0%	32,960,000	32,960,000	-	-	32,960,000
				$ 336,418,038	$ 13,187,606	$ (10,115,000)	$ 339,490,644

2005 General Obligation Bonds, Series 2007

In January 2007, the District issued $70,443,480 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2007. The bonds issued included $27,900,000 of current interest bonds and $42,543,480 of capital appreciation bonds, with the capital appreciation bonds accreting to $102,915,000. The bonds have a final maturity to occur on August 1, 2031, with interest yields of 3.3 to 4.5%. The District received net proceeds of $70,470,304 (including a premium of $658,043 and after payment of $631,219 for issuance costs). Proceeds from the sale of the bonds were used to finance specific construction and renovation projects approved by the voters and to pay costs of issuance on the bonds. At June 30, 2021, the principal balance outstanding was $71,736,658. Unamortized premium on issuance at June 30, 2021 was $276,374.

2000 General Obligation Refunding Bonds, Series 2010

In November 2010, the Newport-Mesa Unified School District issued 2010 Refunding Bonds in the amount of $68,660,000. The bonds have a final maturity date of August 1, 2026, with interest rates ranging of 2.0 to 5.0%. Proceeds from the sale of the bonds were used to provide for the full refunding of the Series 2001 Bonds and a partial refunding of the Series 2003 Bonds. As of June 30, 2021, the bond has been defeased.

2005 General Obligation Bonds, Series 2011

In June 2011, the District issued $95,000,670 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2011. The bonds issued included $11,928,966 of convertible bonds and $83,071,704 of capital appreciation bonds. The bonds have final maturity dates through August 1, 2046, with interest yields of 3.6 to 7.3%. The conversion value for the convertible bonds is $22,385,000 and total accretion on the capital appreciation bonds is $537,190,398. The District received net proceeds of $95,000,670 (including a premium of $621,238 and after payment of $621,238 for issuance costs). Proceeds from the sale of the bonds will be used to finance specific construction and renovation projects approved by the voters and to pay costs of issuance on the bonds. At June 30, 2021, the principal balance outstanding was $117,583,979. Unamortized premium at June 30, 2021 was $442,259.

2005 General Obligation Refunding Bonds, Series 2017

On August 10, 2017, the District issued $80,564,666.30 of the Newport-Mesa Unified School District, 2005 General Obligation Refunding Bonds, Series 2017. The bonds issued included $17,580,000 of current interest bonds and $62,984,666.30 of capital appreciation bonds, with capital appreciation bonds accreting to $171,355,000. The bonds have a final maturity to occur on August 1, 2046, with interest yields of 3.9 to 5.0%. The bonds issued at an aggregate price of $84,977,762 (including a premium of $4,639,509.95 and after payment of $407,684.60 for issuance costs). Proceeds from sale of bonds will be used to refund a portion of the outstanding General Obligation Bonds, Election of 2005, Series 2011 and to refund all of the outstanding General Obligation Refunding Bonds, Election of 2000, Series 2012, and to pay costs of issuance of the Refunding Bonds.

The refunding resulted in cumulative cash flow saving of $140,004,873 over the life of the new debt and an economic gain of $54,698,850 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.790%. At June 30, 2021, the principal balance outstanding of the General Obligation Refunding Bonds, Series 2017 was $89,780,007 and unamortized premium on issuance and deferred charge on refunding were $3,999,575 and $12,005,726, respectively.

2005 General Obligation Bonds, Series 2017

On August 15, 2017, the District issued $28,130,000 of the Newport-Mesa Unified School District, 2005 General Obligation Bonds, Series 2017. The bonds were issued as current interest bonds. The bonds have a final maturity date of August 1, 2039, with interest yields of 2.0 to 5.0%. The bonds issued at an aggregate price of $29,285,486 (including a premium of $1,582,040 and after payment of $426,554 for issuance costs). Proceeds from sale of bonds will be used to finance specific construction, repair, and improvement projects approved by the voter of the District held on November 8, 2005. At June 30, 2021, the principal balance outstanding of the 2005 General Obligation Bonds, Series 2017 was $27,430,000 and unamortized premium on issuance was $1,294,393.

2000 General Obligation Refunding Bonds, Series 2020

On May 5, 2020, the District issued $32,960,000 of the Newport-Mesa Unified School District, 2000 General Obligation Refunding Bonds, Series 2020. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2026, with interest rate of 5.0%. The bonds issued at an aggregate price of $35,959,750 (including a premium of $3,360,251 and after payment of $360,501 for issuance costs). Proceeds from sale of bonds will be used to refund, on a current basis, a portion of the outstanding General Obligation Refunding Bonds, Election of 2000, Series 2010, and to pay costs of issuance of the Refunding Bonds. The refunding resulted in cumulative cash flow saving of $2,938,811 over the life of the new debt and an economic gain of $2,764,787 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.079%. At June 30, 2021, the principal balance outstanding of the General Obligation Refunding Bonds, Series 2020 was $32,960,000 and unamortized premium on issuance was $2,800,209.

The general obligation bonds mature through 2047 as follows:

Bonds Maturing Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2022	$ 10,713,568	$ 16,432	$ 4,076,353	$ 14,806,353
2023	10,212,669	207,331	4,517,030	14,937,030
2024	11,104,666	460,334	4,226,705	15,791,705
2025	12,010,520	774,480	3,910,455	16,695,455
2026	12,933,601	1,151,399	3,568,455	17,653,455
2027-2031	74,473,568	20,501,432	12,360,650	107,335,650
2032-2036	64,928,101	67,726,899	9,728,925	142,383,925
2037-2041	68,530,564	63,377,385	8,429,400	140,337,349
2042-2046	69,668,970	69,211,030	2,115,383	140,995,383
2047	4,914,417	8,645,583	-	13,560,000
Total	$ 339,490,644	$ 232,072,305	$ 52,933,356	$ 624,496,305

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to $4,200,070.

Capital Leases

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

	Equipment
Balance, July 1, 2020	$ 65,197
Additions	-
Payments	(20,383)
Balance, July 1, 2021	$ 44,814

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	$ 16,240
2023	11,934
2024	9,176
2025	7,464
Total	44,814
Less amount representing interest	-
Present value of minimum lease payments	$ 44,814

Leased equipment under capital assets at June 30, 2021 include the following:

Builidng	$ 222,752
Less Accumulated Depreciation	(44,550)
Total	$ 178,202

Amortization of leased building under capital assets is included with depreciation expense.

California Energy Commission Loan

The District entered into a loan agreement with the California Energy Commission (CEC) during the 2014-2015 fiscal year to obtain a maximum loan of $3,000,000. The proceeds from the loan were used for the District's solar shade structure project and the agreement stipulated that the CEC would reimburse the District up to the maximum agreed-upon loan amount. The loan was offered with a zero percent interest rate and the District will commence repayment beginning the 2016-2017 fiscal year. The District will be making a total of 14 semi-annual installment payments in the amount of $214,286 until the obligation is fully paid. The District has made two separate draw-down requests to the CEC. Proceeds from the first draw-down request in the amount of $1,883,599 were received during the 2014-2015 fiscal year. Proceeds from the second draw-down request in the amount of $1,116,401 were received during the 2015-2016 fiscal year. As of June 30, 2021, the District had an outstanding CEC loan balance of $857,145.

Year Ending June 30,	Future Payment
2022	$ 428,571
2023	428,574
Total	$ 857,145

Estimated Insurance Claims - Workers' Compensation

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of $12,107,050 were discounted at a rate of 0.6% and were accepted as estimated by the District's administrator.

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 130,302,900	$ 6,420,460	$ 6,799,423	$ 10,703,112
Medicare Premium Payment (MPP) Program	1,784,179	-	-	204,882
Total	$ 132,087,079	$ 6,420,460	$ 6,799,423	$ 10,907,994

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single--employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

For the July 1, 2020 valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	107
Active employees	2,326
Total	2,433

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Newport-Mesa Federation of Teachers (NMFT), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, NMFT, CSEA, and the unrepresented groups. For fiscal year 2020-2021, the District contributed $4,702,901 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $130,302,900 was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.18	%
Salary increases	2.75	%, average, including inflation
Discount rate	2.18	%
Healthcare cost trend rates	7.00	% for 2021

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

CalSTRS mortality rates are from the 2020 experience study and the CalPERS mortality rates are from the 2017 experience study.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

	Total OPEB Liability
Balance, June 30, 2020	$ 119,890,958
Service cost	7,486,306
Interest	3,326,097
Changes of assumptions	4,302,440
Benefit payments	(4,702,901)
Net change in total OPEB liability	10,411,942
Balance, June 30, 2021	$ 130,302,900

No changes to the benefits terms noted.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% in 2020 to 2.18% in 2021.

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 percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (1.18%)	$ 139,472,046
Current discount rate (2.18%)	130,302,900
1% increase (3.18%)	121,428,086

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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (6.00%)	$ 115,757,411
Current healthcare cost trend rate (7.00%)	130,302,900
1% increase (8.00%)	147,344,244

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $10,703,112. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,799,423
Changes of assumptions	6,420,460	-
Total	$ 6,420,460	$ 6,799,423

The deferred outflows of resources related to difference between expected and actual experience and the deferred inflows of resources related to the changes of assumptions will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (109,291)
2023	(109,291)
2024	(109,291)
2025	(109,291)
2026	(191,098)
Thereafter	249,299
Total	$ (378,963)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (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. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, 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.

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of $1,784,179 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.4210%, and 0.4241%, resulting in a net decrease in the proportionate share of 0.0031%.

For the year ended June 30, 2021, the District recognized OPEB expense of $204,882.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability
1% decrease (1.21%)	$ 1,972,906
Current discount rate (2.21%)	1,784,179
1% increase (3.21%)	1,623,585

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 1,617,776
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,784,179
1% increase (5.50% Part A and 6.40% Part B)	1,975,740

Note 10 - Non-Obligatory Debt

These bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended 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 School 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 School District has no duty to pay the delinquency out of any available funds of the School District. The School District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Bonds currently active include the Community Facilities District No. 90-1, Special Tax Bonds, Series 2012.

The Special Tax Bonds mature through 2022 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 1,240,000	$ 24,800	$ 1,264,800

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 150,000	$ -	$ -	$ -	$ 150,000
Stores inventories	142,433	-	-	161,494	303,927
Prepaid expenditures	16,248	-	-	-	16,248
Total nonspendable	308,681	-	-	161,494	470,175
Restricted					
Legally restricted programs	9,643,546	-	-	2,483,286	12,126,832
Capital projects	-	27,984,872	31,770,455	11,340,995	71,096,322
Debt services	-	-	-	12,880,018	12,880,018
Total restricted	9,643,546	27,984,872	31,770,455	26,704,299	96,103,172
Assigned					
Retiree benefits	19,592,984	-	-	-	19,592,984
Stabilization	43,509,422	-	-	-	43,509,422
Other	31,019,478	-	-	-	31,019,478
Capital projects	-	-	-	18,984,514	18,984,514
Total assigned	94,121,884	-	-	18,984,514	113,106,398
Unassigned					
Reserve for economic uncertainties	15,977,000	-	-	-	15,977,000
Total	$ 120,051,111	$ 27,984,872	$ 31,770,455	$ 45,850,307	$ 225,656,745

Note 12 - Lease Revenues

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days of written notice to lessees but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Payment
2022	$ 16,560
2023	17,089
2024	17,089
Total	$ 50,738

During the 2020-2021 fiscal year, a total of $16,560 in lease revenues was received by the District.

Note 13 - Risk Management

Description

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority public entity risk pool for the property and liability coverage. Refer to Note 16 for additional information regarding the JPAs. The Workers' Compensation Program, for which the District retains risk of loss, is administered by the Internal Service Fund. Excess workers' compensation coverage is obtained through the purchase of commercial insurance.

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

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. Unpaid claims and claims adjustment expenses were discounted at 0.6% and presented at their net present value. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	Workers' Compensation
Liability Balance, July 1, 2019	$ 13,458,319
Claims and changes in estimates	3,043,523
Claims payments	(2,503,747)
Liability Balance, June 30, 2020	13,998,095
Claims and changes in estimates	(1,367,026)
Claims payments	(524,019)
Liability Balance, June 30, 2021	$ 12,107,050
Assets available to pay claims at June 30, 2021	$ 17,320,188

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of 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	$ 234,150,468	$ 60,204,838	$ 11,794,940	$ 31,731,382
CalPERS	116,943,653	20,303,157	2,923,073	22,452,664
Total	$ 351,094,121	$ 80,507,995	$ 14,718,013	$ 54,184,046

The details of each plan are as follows:

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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after 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 employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were $21,996,435.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 234,150,468
State's proportionate share of the net pension liability	120,704,594
Total	$ 354,855,062

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.2416% and 0.2397%, resulting in a net increase in the proportionate share of 0.0019%.

For the year ended June 30, 2021, the District recognized pension expense of $31,731,382. In addition, the District recognized pension expense and revenue of $16,909,529 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 21,996,435	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	9,400,180	5,191,496
Differences between projected and actual earnings on pension plan investments	5,562,068	-
Differences between expected and actual experience in the measurement of the total pension liability	413,168	6,603,444
Changes of assumptions	22,832,987	-
Total	$ 60,204,838	$ 11,794,940

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (3,393,940)
2023	1,895,099
2024	3,780,933
2025	3,279,976
Total	$ 5,562,068

The deferred outflows/(inflows) of resources related to the change in proportionate and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 6,273,657
2023	5,709,018
2024	7,272,365
2025	1,199,333
2026	289,010
Thereafter	108,012
Total	$ 20,851,395

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its 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 expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 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%)	$ 353,768,741
Current discount rate (7.10%)	234,150,468
1% increase (8.10%)	135,388,739

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were $11,378,942.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $116,943,653. The net pension liability was measured as of June 30, 2019. 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 proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.3811% and 0.3795%, resulting in a net increase in the proportionate share of 0.0016%.

For the year ended June 30, 2021, the District recognized pension expense of $22,452,664. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,378,942	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	260,938	2,923,073
Differences between projected and actual earnings on pension plan investments	2,434,394	-
Differences between expected and actual experience in the measurement of the total pension liability	5,800,046	-
Changes of assumptions	428,837	-
Total	$ 20,303,157	$ 2,923,073

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (911,001)
2023	812,580
2024	1,412,400
2025	1,120,415
Total	$ 2,434,394

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 3,133,661
2023	678,376
2024	(213,975)
2025	(31,314)
Total	$ 3,566,748

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 168,127,827
Current discount rate (7.15%)	116,943,653
1% increase (8.15%)	74,463,358

Alternative Retirement Program

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 Public Agency Retirement System (PARS) as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.5% of an employee's gross earnings. An employee is required to contribute 6.0% of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to $64,377, which represents 1.5% of its current year covered payroll.

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 in the amount of $13,660,178 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 15 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
BB/MV - Security Study/Fencing	$ 99,337	06/30/22
California - Security Study/Fencing	90,039	06/30/22
CDM - Security Study/Fencing	80,654	06/30/22
CDM - Softball Scoreboard	198,540	03/30/22
CDM - Sports Field/Stadium	510,928	03/30/22
CMHS - Baseball Scoreboard Replacement	201,283	03/30/22
CMHS - Security Study/Fencing	169,759	06/30/22
Davis - Security Study/Fencing	83,734	06/30/22
District - Security Study/Fencing	189,016	06/30/22
EHS - Jim Scott Stadium Scoreboard	266,590	06/30/22
EHS -Theater	30,440,279	06/30/24
Ensign - Security Study/Fencing	261,786	06/30/22
Harper - Parking Lot & ADA updates	31,721	06/30/23
HVAC 6 (CDMHS,CMHS, NHHS)	10,105	03/30/22
HVAC 5 (HV, MRNS,NEL,NHTS,WHT,ENS,BB)	212,442	12/30/21
NHHS - Aquatics Shade and Scoreboard	111,206	06/30/23
NHHS - Kiln Project Planning (architectural, electrical, remodeling)	48,208	12/30/22
NHHS - Sports Complex	80,460	12/31/21
TeWinkle - Security Study/Fencing	130,608	06/30/22
Total	$ 33,216,694	

Note 16 - Participation in Public Entity Risk Pools, Joint Power Authorities, and other Related Party Transactions

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority public entity risk pool, the Bonita Canyon Public Facilities Financing Authority (BCPFFA), and Coastline Regional Occupation Program (CROP) Joint Power Authority's (JPAs). The District pays an annual premium to ASCIP for its property liability coverage. Payments for funds received from the State on behalf of CROP are passed through to CROP. The relationships between the District, the pool, 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 in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2021, the District made payments of $1,672,557 and $1,532,707 to ASCIP and CROP, respectively, for services received.

Note 17 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the Newport-Mesa Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, The District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. Additionally, the District restated custodial funds beginning net position that was previously reported as liabilities. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	$ 53,297,851	$ 193,819,975
Reclassification of student activity funds from agency funds to a special revenue fund	1,657,698	1,657,698
Fund Balance - Beginning as Restated June 30, 2020	$ 54,955,549	$ 195,477,673
Custodial Funds		
Beginning Net Position previously reported at June 30, 2020		$ -
Inclusion of beginning net position from the adoption of GASB Statement No. 84		1,969,106
Net Position - Beginning as Restated June 30, 2020		$ 1,969,106
Government-Wide Financial Statements		
Beginning Government-Wide Net Position previously reported at June 30, 2020		$ (174,132,818)
Reclassification of student activity funds from agency funds to a special revenue fund		1,657,698
Net Position - Beginning as Restated June 30, 2020		$ (172,475,120)

Required Supplementary Information
June 30, 2021

Newport-Mesa Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 287,159,282	$ 306,999,488	$ 306,999,488	$ -
Federal sources	16,111,463	39,231,207	23,073,616	(16,157,591)
Other State sources	20,751,366	37,493,173	44,164,773	6,671,600
Other local sources	5,998,032	7,179,576	9,547,158	2,367,582
Total revenues [1]	330,020,143	390,903,444	383,785,035	(7,118,409)
Expenditures				
Current				
Certificated salaries	135,995,720	143,485,546	138,805,895	4,679,651
Classified salaries	55,125,595	59,359,358	56,590,980	2,768,378
Employee benefits	86,119,161	83,388,675	95,697,867	(12,309,192)
Books and supplies	14,375,474	42,277,355	16,294,453	25,982,902
Services and operating expenditures	30,019,112	36,956,563	31,834,792	5,121,771
Other outgo	2,289,968	3,572,572	2,719,235	853,337
Capital outlay	4,726,348	5,365,310	2,827,016	2,538,294
Debt service				
Debt service - principal	-	-	20,383	(20,383)
Total expenditures [1]	328,651,378	374,405,379	344,790,621	29,614,758
Excess of Revenues Over Expenditures	1,368,765	16,498,065	38,994,414	22,496,349
Other Financing Sources (Uses)				
Transfers in	1,500,000	-	-	-
Transfers out	(7,379,823)	(24,005,000)	(8,005,000)	16,000,000
Net Financing Sources (Uses)	(5,879,823)	(24,005,000)	(8,005,000)	16,000,000
Net Change in Fund Balances	(4,511,058)	(7,506,935)	30,989,414	38,496,349
Fund Balance - Beginning	89,061,697	89,061,697	89,061,697	-
Fund Balance - Ending	$ 84,550,639	$ 81,554,762	$ 120,051,111	$ 38,496,349

[1] Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 7,486,306	$ 6,197,752	$ 6,232,910	$ 6,356,417
Interest	3,326,097	3,543,001	3,586,629	3,556,064
Difference between expected and actual experience	-	(8,947,739)	-	-
Changes of assumptions	4,302,440	907,004	1,815,674	1,390,692
Benefit payments	(4,702,901)	(5,165,629)	(4,769,780)	(4,104,142)
Net change in total OPEB liability	10,411,942	(3,465,611)	6,865,433	7,199,031
Total OPEB Liability - Beginning	119,890,958	123,356,569	116,491,136	109,292,105
Total OPEB Liability - Ending	$ 130,302,900	$ 119,890,958	$ 123,356,569	$ 116,491,136
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.4210%	0.4241%	0.4178%	0.4063%
Proportionate share of the net OPEB liability	$ 1,784,179	$ 1,579,297	$ 1,599,064	$ 1,709,152
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] 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.

Note : In the future, as data becomes available, ten years of information will be presented.

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.2416%	0.2397%	0.2328%	0.2244%
Proportionate share of the net pension liability	$ 234,150,468	$ 216,516,683	$ 213,913,594	$ 207,523,362
State's proportionate share of the net pension liability	120,704,594	118,124,305	122,475,537	122,769,068
Total	$ 354,855,062	$ 334,640,988	$ 336,389,131	$ 330,292,430
Covered payroll	$ 132,458,649	$ 128,783,943	$ 121,916,154	$ 117,960,676
Proportionate share of the net pension liability as a percentage of its covered payroll	176.77%	168.12%	175.46%	175.93%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.3811%	0.3795%	0.3844%	0.3789%
Proportionate share of the net pension liability	$ 116,943,653	$ 110,594,096	$ 102,500,194	$ 90,460,321
Covered payroll	$ 54,932,965	$ 51,595,549	$ 49,724,396	$ 48,098,258
Proportionate share of the net pension liability as a percentage of its covered payroll	212.88%	214.35%	206.14%	188.07%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note : In the future, as data becomes available, ten years of information will be presented.

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.2332%	0.2441%	0.2343%
Proportionate share of the net pension liability	$ 188,647,018	$ 164,342,374	$ 136,898,547
State's proportionate share of the net pension liability	107,393,382	86,918,999	82,665,253
Total	$ 296,040,400	$ 251,261,373	$ 219,563,800
Covered payroll	$ 114,596,766	$ 115,079,583	103,627,675
Proportionate share of the net pension liability as a percentage of its covered payroll	164.62%	142.81%	132.11%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.3928%	0.4069%	0.3936%
Proportionate share of the net pension liability	$ 77,584,002	$ 59,973,861	$ 44,688,601
Covered payroll	$ 47,007,715	$ 45,250,752	40,062,362
Proportionate share of the net pension liability as a percentage of its covered payroll	165.05%	132.54%	111.55%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

	2021	2020	2019	2018
CalSTRS				
Contractually required contribution	$ 21,996,435	$ 22,650,429	$ 20,966,026	$ 17,592,501
Less contributions in relation to the contractually required contribution	21,996,435	22,650,429	20,966,026	17,592,501
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 136,200,836	$ 132,458,649	$ 128,783,943	$ 121,916,154
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%
CalPERS				
Contractually required contribution	$ 11,378,942	$ 10,833,330	$ 9,319,188	$ 7,722,696
Less contributions in relation to the contractually required contribution	11,378,942	10,833,330	9,319,188	7,722,696
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 54,970,734	$ 54,932,965	$ 51,595,549	$ 49,724,396
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%

Note : In the future, as data becomes available, ten years of information will be presented.

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 14,839,453	$ 12,296,233	$ 10,219,067
Less contributions in relation to the contractually required contribution	14,839,453	12,296,233	10,219,067
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 117,960,676	$ 114,596,766	$ 115,079,583
Contributions as a percentage of covered payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 6,680,848	$ 5,569,004	$ 5,326,466
Less contributions in relation to the contractually required contribution	6,680,848	5,569,004	5,326,466
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 48,105,184	$ 47,007,715	$ 45,250,752
Contributions as a percentage of covered payroll	13.888%	11.847%	11.771%

Note : In the future, as data becomes available, ten years of information will be presented.

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 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.

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 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. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms – There were no changes in benefit terms.
- Changes of Assumptions – The discount rate was changed from 2.66 to 2.18% since the previous valuation.

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.

- Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.
- Changes of Assumptions – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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.

- Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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.

Supplementary Information
June 30, 2021

Newport-Mesa Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education (IDEA) Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	$ 3,792,141
Special Education Grants to States - Private School ISP	84.027	10115	124,082
Special Education Grants to States - Preschool Grants	84.173	13430	67,683
Special Education Grants to States - Mental Health	84.027	15197	224,463
Special Education Grants to States - Preschool Staff Development	84.173A	13431	1,397
Special Education Grants to States - Alternate Dispute Resolution	84.173A	13007	2,908
Subtotal Special Education (IDEA) Cluster			4,212,674
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	3,013,103
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	368,832
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C	15517	703,878
COVID-19 Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425D	15535	215,697
Subtotal Education Stabilization Fund			4,301,510
Title I Grant to Local Educational Agencies - Low-Income and Neglected	84.010	14329	3,538,607
Supporting Effective Instruction State Grants	84.367	14341	442,214
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	531,429
English Language Acquisition State Grants - Immigrant Student Program	84.365	15146	7,297
Subtotal English Language Acquisition State Grants			538,726
Student Support and Academic Enrichment Program	84.424	15396	325,533
Career and Technical Education - Basic Grants to States	84.048	14894	140,706
Special Education - Grants for Infants and Families	84.181	23761	53,202
Passed through Department of Rehabilitation			
Workability II, Transition Partnership	84.126	10006	397,660
Total U.S. Department of Education			13,950,832

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed through CDE			
COVID-19 Coronavirus Relief Fund - Learning Loss Mitigation	21.019	25516	$ 9,338,481
Total U.S. Department of Treasury			9,338,481
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13523	325,049
National School Lunch Program	10.553	13524	2,461,082
School Basic Breakfast Program	10.553	13525	176,492
School Breakfast Program - Especially Needy	10.553	13526	1,168,300
National School Lunch Program - Commodities	10.555	13524	732,071
Total Child Nutrition Cluster			4,862,994
Total U.S. Department of Agriculture			4,862,994
Total Federal Financial Assistance			$ 28,152,307

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ms. Karen Yelsey	President	2022
Ms. Michelle Barto	Vice President	2022
Ms. Charlene Metoyer	Clerk	2022
Ms. Leah Ersoylu	Member	2024
Ms. Carol Crane	Member	2024
Ms. Krista Weigand	Member	2024
Ms. Ashley Anderson	Member	2022

ADMINISTRATION

Mr. Russell Lee-Sung	Superintendent
Mr. John C. Drake	Assistant Superintendent, Chief Academic Officer
Mr. Tim Holcomb	Assistant Superintendent, Chief Operating Officer
Ms. Sara Jocham	Assistant Superintendent, Student Support Services/SELPA
Ms. Leona Olson	Assistant Superintendent, Chief Human Resources Officer
Ms. Kerrie Torres	Assistant Superintendent, Secondary
Mr. Jeff Trader	Executive Director, Chief Financial Officer

Grade Level	Number of Actual Days Traditional Calendar	Number of Actual Days Multitrack Calendar	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied
Grades 9 - 12					
Grade 9	180	-	-	180	Complied
Grade 10	180	-	-	180	Complied
Grade 11	180	-	-	180	Complied
Grade 12	180	-	-	180	Complied

Summarized below are the fund balance/net position reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Internal Service Fund
Net Position	
Balance, June 30, 2021, Unaudited Actuals	$ 4,430,232
Decrease in	
Claims liability	664,441
Balance, June 30, 2021, Audited Financial Statements	$ 5,094,673

	(Budget) 2022 [1]	2021	2020	2019
General Fund [3]				
Revenues	$ 374,305,251	$ 369,802,248	$ 335,441,687	$ 327,556,937
Other sources	-	-	1	242
Total revenues and other sources	374,305,251	369,802,248	335,441,688	327,557,179
Expenditures	365,881,349	331,130,443	316,313,350	299,765,244
Other uses and transfers out	7,540,299	24,005,000	2,748,622	21,971,930
Total expenditures and other uses	373,421,648	355,135,443	319,061,972	321,737,174
Increase/(Decrease) in Fund Balance	883,603	14,666,805	16,379,716	5,820,005
Ending Fund Balance	$ 70,322,252	$ 69,438,649	$ 54,771,844	$ 38,392,128
Available Reserves [2, 4]	$ 15,977,000	$ 15,977,000	$ 11,663,792	$ 14,500,000
Available Reserves as a Percentage of Total Outgo	4.28%	4.50%	3.66%	4.51%
Long-Term Liabilities	N/A	$ 848,693,733	$ 814,606,849	$ 805,441,873
K-12 Average Daily Attendance at P-2	18,805	19,215	19,215	19,661

The General Fund balance has increased by $31,046,521 over the past two years. The fiscal year 2021-2022 budget projects a further increase of $883,603 (1.27%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term obligations have increased by $43,251,860 over the past two years.

Average daily attendance has decreased by 446 over the past two years. Further decline of 410 ADA is anticipated during fiscal year 2021-2022.

[1] Budget 2022 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Assets				
Deposits and investments	$ 1,490,182	$ 512,249	$ 615,389	$ 10,375,691
Receivables	-	501,713	1,078,445	91,620
Due from other funds	-	-	4,915	-
Stores inventories	-	-	161,494	-
Total assets	$ 1,490,182	$ 1,013,962	$ 1,860,243	$ 10,467,311
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 186,002	$ 567,438	$ 122
Due to other funds	-	122,982	674,848	-
Unearned revenue	-	-	168,337	-
Total liabilities	-	308,984	1,410,623	122
Fund Balances				
Nonspendable	-	-	161,494	-
Restricted	1,490,182	704,978	288,126	10,448,706
Assigned	-	-	-	18,483
Total fund balances	1,490,182	704,978	449,620	10,467,189
Total liabilities and fund balances	$ 1,490,182	$ 1,013,962	$ 1,860,243	$ 10,467,311

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	$ 15,990,165	$ 12,869,800	$ 41,853,476
Receivables	7,898	10,218	1,689,894
Due from other funds	5,000,000	-	5,004,915
Stores inventories	-	-	161,494
Total assets	$ 20,998,063	$ 12,880,018	$ 48,709,779
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 1,139,743	$ -	$ 1,893,305
Due to other funds	-	-	797,830
Unearned revenue	-	-	168,337
Total liabilities	1,139,743	-	2,859,472
Fund Balances			
Nonspendable	-	-	161,494
Restricted	892,289	12,880,018	26,704,299
Assigned	18,966,031	-	18,984,514
Total fund balances	19,858,320	12,880,018	45,850,307
Total liabilities and fund balances	$ 20,998,063	$ 12,880,018	$ 48,709,779

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Revenues				
Federal sources	$ -	$ 99,225	$ 5,078,691	$ -
Other State sources	-	3,204,575	347,948	-
Other local sources	1,389,370	89,923	112,783	1,104,373
Total revenues	1,389,370	3,393,723	5,539,422	1,104,373
Expenditures				
Current				
Instruction	-	2,445,539	-	-
Instruction-related activities				
Supervision of instruction	-	550,726	-	-
School site administration	-	157,663	-	-
Pupil services				
Food services	-	-	7,805,540	-
Administration				
All other administration	-	244,709	389,263	-
Plant services	-	19,895	-	44,529
Ancillary services	1,556,886	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	1,556,886	3,418,532	8,194,803	44,529
Excess (Deficiency) of Revenues Over Expenditures	(167,516)	(24,809)	(2,655,381)	1,059,844
Other Financing Sources				
Transfers in	-	-	3,005,000	-
Net Change in Fund Balances	(167,516)	(24,809)	349,619	1,059,844
Fund Balance - Beginning, as restated	1,657,698	729,787	100,001	9,407,345
Fund Balance - Ending	$ 1,490,182	$ 704,978	$ 449,620	$ 10,467,189

	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	$ -	$ -	$ 5,177,916
Other State sources	-	30,355	3,582,878
Other local sources	236,362	14,531,160	17,463,971
Total revenues	236,362	14,561,515	26,224,765
Expenditures			
Current			
Instruction	-	-	2,445,539
Instruction-related activities			
Supervision of instruction	-	-	550,726
School site administration	-	-	157,663
Pupil services			
Food services	-	-	7,805,540
Administration			
All other administration	-	-	633,972
Plant services	-	-	64,424
Ancillary services	-	-	1,556,886
Facility acquisition and construction	16,390,823	-	16,390,823
Debt service			
Principal	428,571	10,115,000	10,543,571
Interest and other	13,323	3,172,540	3,185,863
Total expenditures	16,832,717	13,287,540	43,335,007
Excess (Deficiency) of Revenues Over Expenditures	(16,596,355)	1,273,975	(17,110,242)
Other Financing Sources			
Transfers in	5,000,000	-	8,005,000
Net Change in Fund Balances	(11,596,355)	1,273,975	(9,105,242)
Fund Balance - Beginning, as restated	31,454,675	11,606,043	54,955,549
Fund Balance - Ending	$ 19,858,320	$ 12,880,018	$ 45,850,307

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Newport-Mesa Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Newport-Mesa Unified School District, it is not intended to and does not present the net position or changes in net position and fund balance, or cash flows of Newport-Mesa Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal assistance was been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District did not have commodities reported as inventory.

SEFA Reconciliation

The following provides reconciliation between revenues reported on the Statement of revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consist of Child Care Development Block Grant funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the Child Development Fund.

Description	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Total Federal Revenues reported on the financial statements		$ 28,251,532
COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	(99,225)
Total Federal Financial Assistance		$ 28,152,307

Local Education Agency Organization Structure

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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 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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2021

Newport-Mesa Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's 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*

To the Board of Directors
Newport-Mesa Unified School District
Costa Mesa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newport-Mesa Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Newport-Mesa Unified School District's basic financial statements and have issued our report thereon dated January 18, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, Newport-Mesa Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Financial Statement Findings,* as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Newport-Mesa Unified School District's Response to Findings

Newport-Mesa Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Financial Statement Findings. Newport-Mesa Unified School District's response was not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
January 18, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Newport-Mesa Unified School District
Costa Mesa, California

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

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
January 18, 2022

Independent Auditor's Report on State Compliance

To the Board of Directors
Newport-Mesa Unified School District
Costa Mesa, California

Report on State Compliance
We have audited Newport-Mesa Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on Instructional Materials and Unduplicated Local Control Funding Formula Pupil Counts
As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, Newport-Mesa Unified School District did not comply with requirements regarding Instructional Materials and Unduplicated Local Control Funding Formula Pupil Counts as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002 and 2021-003, respectively. Compliance with such requirements is necessary, in our opinion, for Newport-Mesa Unified School District to comply with the requirements referred to above.

Qualified Opinion on Instructional Materials and Unduplicated Local Control Funding Formula Pupil Counts
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Newport-Mesa Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

Newport-Mesa Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying *Schedule of State Compliance Findings and Questioned Costs.* Newport-Mesa Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs
In our opinion, Newport-Mesa Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 18, 2022

Schedule of Findings and Questioned Costs
June 30, 2021

Newport-Mesa Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Coronavirus Relief Fund - Learning Loss Mitigation	21.019
Education Stabilization Fund	84.425C & 84.425D
Child Nutrition Cluster	10.553 & 10.555

Dollar threshold used to distinguish between type A and type B programs	$844,569
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified*

*Unmodified for all programs except for the following programs which were qualified:

Name of Program
Instructional Materials
Unduplicated Local Control Funding Formula Pupil Counts

The following finding represent a material weakness related to the financial statements that is required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2021-001 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

The District did not adjust its claims liability by $664,441 per the most recent actuarial study performed on the District's self-insured workers' compensation program.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through the course of our review of the District's internal service activities and the associated self-insured workers' compensation program. Specifically, our review of the District's most recent actuarial report revealed that the claims liability related to workers' compensation program decreased the adjustment was not recorded by the District.

Effect

Given the condition and applying the criteria or the specific requirement identified above, the claims liability in the District's internal service fund (Fund 67) was overstated by $664,441, which resulted in understatement of internal service fund balance by the same amount.

Cause

The cause of the condition identified appears to be due to an inadequate review process related to the preparation of the District's year-end financial statements, specifically a review of the adjustment to the projected claims liability based on the actuarial report.

Recommendation

The district should ensure that adjustment to the projected claims liability amount from the actuarial report is reviewed by an independent person with the required knowledge during the District's annual year-end closing process.

Repeat Finding (Yes or No)

No.

Corrective Action Plan and Views of Responsible Officials

The District concurs with this finding and has taken steps to ensure a review occurs as a part of the year end closing process.

None reported.

The following findings represent instances of noncompliance relating to compliance with state laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance
70000	Instructional Materials

2021-002 70000

Criteria or Specific Requirements

Pursuant to *Education Code* 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before eighth week from the first day pupils attended school for that year.

Condition

The District was found to be out of compliance with regard to when the public hearing for instructional materials was held. The District held the hearing on October 27, 2020, which was not within the first eight weeks of the start of school.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of board meeting minutes and board resolutions.

Effect

A public hearing, as required by Education code 60119, was not held within eight weeks from the first day of the school year.

Cause

No specific cause was identified other than an oversight.

Repeat Finding (Yes or No)

No

Recommendation

The District should make every effort to hold the public hearing before eight weeks prior to the start of school. The District should designate a management employee with the responsibility for making sure the public hearing is identified on the board agenda before the eight weeks have passed.

Corrective Action Plan and Views of Responsible Officials

The District concurs with this finding and has assigned management oversight to ensure the public hearing is timely.

2021-003 40000

Criteria or Specific Requirements

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

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of education was inaccurate. It appears that the District inaccurately reported 1,700 students as having a designation of free or reduced on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Questioned Costs

Using the audit penalty calculator published by the California Department of Education, the calculated questioned cost was determined to be $950,960. However, the District is a locally funded (property tax funded) District and as a result, there would be no impact on current year's revenues.

Context

The condition was identified through inquiry with District personnel. Upon further inquiry and examination of District records, we noted the District imported free and reduced data to CalPads from its system before the first 30 days of school had passed. The students retain their prior year free and reduced status for the first 30 days of the school, so the import to CalPads included 1,700 students who were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CalPads report to align the reporting with the most current free and reduced eligibility information from the District's Nutrition Services Department. The following schedule identified the District-wide exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on Eligibility FRPM	Adjusted Total Unduplicated Count
Total District-Wide	18,559	9,164	(1,700)	7,464

Cause

The primary cause appears to originate from District collecting free and reduced data before the first 30 days of the school had passed. This resulted in students carrying forward their prior year status which resulted in inaccurate reporting.

Repeat Finding (Yes or No)

No

Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which includes ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CalPads calendar dates to ensure that appropriate and necessary measures are taking place to ensure CalPads information is being updated.

Corrective Action Plan and Views of Responsible Officials

The District concurs with this finding and has established procedures associated with the collection of Form 1.18.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Compliance Findings

2020-001 Code 400000

Criteria or Specific Requirements

In accordance to *California Education Code* Section 46146.5(b), a day of attendance for a pupil enrolled in an early college high school or middle college high school, who is a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance. Or in accordance to California *Education Code* Section 46160(a)(1), a pupil enrolled in an early college high school or middle college high school, who is special part-time student enrolled in a community college may attend classes for at least 900 minutes during any five-school day period or 1,800 minutes during any 10-school day period.

Condition

From the District's early college high school, 42 out of 196 students enrolled did not meet the 180 minutes of attendance as required by *California Education Code* Section 46146.5(b).

Questioned Costs

There were no questioned costs associated with the condition identified. The impact of the condition resulted in the District's ADA decreasing by 40.72 ADA for both Period 2 and Annual attendance reports. The District adjusted its ADA reported on the Period 2 and Annual Attendance reports in anticipation of the ADA adjustment that would take place and has filed both reports in a timely manner and accurately. The District is a basic aid District and as a result, there was no impact on current year’s revenues.

Context

Based on the initial sample of 20 students selected from the District's early college high school, we identified 4 students that did not meet the required 900 minutes of attendance per week during any five-school day period or 1,800 minutes during any 10-school day period. Subsequently, we performed additional procedures including inquiry with the site administrator and reviewing additional supporting documents, including a comprehensive listing of classes enrolled for each of the students and minutes offered by the high school. Our additional procedures performed resulted in 42 out of 196 students enrolled in the District's early college high school did not meet the 180 minutes of attendance.

Effect

As a result of the condition identified, the District was not in compliance with California *Education Code* Section 46146.5(b). Additionally, the impact of the condition resulted in the District's ADA decreasing by 40.72 ADA for both Period 2 and Annual attendance reports.

Cause

It appears that the condition identified has materialized potentially as a result of the District not ensuring that each student enrolled is sufficiently scheduled for the minimum required minutes mandated by the State.

Recommendation

The District should emphasize the importance of students needing to meet the minimum required minutes per day. The District should review students' schedules to ensure that each student is scheduled for a minimum of 180 minutes per day, or 900 minutes per week and enrolled in college courses concurrently.

Current Status

Not applicable. The District was not required to meet the compliance requirements of this program due to Distance Learning.