



Financial Statements
June 30, 2019

Irvine Unified School District



IRVINE UNIFIED SCHOOL DISTRICT

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IRVINE UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Irvine Unified School District
Irvine, 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 the Irvine Unified School District (the District) as of and for the year ended June 30, 2019, 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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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.

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 the District, as of June 30, 2019, 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.

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 5 through 13, budgetary comparison schedule on page 75, schedule of changes in the District's total OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erin Bailey LLP".

Rancho Cucamonga, California
December 9, 2019



This section of the Irvine Unified School District's (the District) 2018-2019 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. 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 Irvine Unified School District and its component units using the integrated approach as prescribed by the 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) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Governmental 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 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 agency funds, which 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.

The Primary unit of the government is the Irvine Unified School District.

BOARD OF EDUCATION

PAUL BOKOTA / LAUREN BROOKS / BETTY CARROLL / IRA GLASKY / SHARON WALLIN
TERRY L. WALKER, *Superintendent of Schools*

JOHN FOGARTY, *Assistant Superintendent, Business Services* / BRIANNE FORD, *Chief Technology Officer*

EMAMONN O'DONOVAN, *Assistant Superintendent, Human Resources* / CASSIE PARHAM, *Assistant Superintendent, Education Services*

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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 and liabilities 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.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education 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, 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.

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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 fund 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 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 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 associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Fund-Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$1,272,755,471 for the fiscal year ended June 30, 2019. Of this amount, (\$276,727,656) was unrestricted deficit. Restricted net position are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the Board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
ASSETS		
Current and other assets	\$ 453,225,787	\$ 446,472,990
Capital assets	1,323,692,922	1,217,344,577
Total Assets	1,776,918,709	1,663,817,567
Deferred Outflows of Resources	131,527,780	127,514,876
LIABILITIES		
Current liabilities	38,252,288	36,326,580
Long-term obligations	183,602,806	143,923,760
Aggregate net pension liability	398,975,637	372,011,438
Total Liabilities	620,830,731	552,261,778
Deferred Inflows of Resources	14,860,287	13,070,329
NET POSITION		
Net investment in capital assets	1,216,301,059	1,179,278,940
Restricted	333,182,068	300,367,822
Unrestricted deficit	(276,727,656)	(253,646,426)
Total Net Position	1,272,755,471	1,226,000,336

The \$276,727,656 in unrestricted deficit net position of governmental activities represents the *accumulated* results of all past years' operations. All districts throughout California were required to implement GASB Statement Nos. 68 and 75 to account for pension and postemployment benefits liability, other than pensions, for their retirees. The District's combined pension and postemployment benefits liabilities were \$442,281,017 and \$413,369,387 for the years ending June 30, 2019 and June 30, 2018, respectively.

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 11,786,195	\$ 69,192,698
Operating grants and contributions	64,427,164	63,147,616
Capital grants and contributions	37,971,178	413,645
General revenues:		
Federal and State aid not restricted	60,126,052	50,408,675
Property taxes	309,591,966	282,505,094
Other general revenues	26,711,927	59,838,955
Total Revenues	<u>510,614,482</u>	<u>525,506,683</u>
Expenses		
Instruction-related	335,051,209	301,907,993
Pupil services	49,489,329	45,993,353
Administration	13,906,665	13,091,910
Plant services	50,662,474	45,442,529
All other services	14,749,670	12,640,803
Total Expenses	<u>463,859,347</u>	<u>419,076,588</u>
Change in Net Position	<u>\$ 46,755,135</u>	<u>\$ 106,430,095</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$463,859,347. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$309,591,966.

IRVINE UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

In Table 3, we have presented the net cost of each of the District's largest functions: instruction-related, 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

	Net Cost of Services	
	2019	2018
Instruction-related	\$ 255,564,232	\$ 258,478,414
Pupil services	34,053,480	31,114,362
Administration	12,749,464	11,801,756
Plant services	49,772,669	43,741,709
All other services	(2,465,035)	(58,813,612)
Total	\$ 349,674,810	\$ 286,322,629

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$380,024,558, which is an increase of \$4,801,710 from last year.

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenses and Other Financing Uses	June 30, 2019
General Fund	\$ 57,714,295	\$ 421,666,747	\$ 412,764,917	\$ 66,616,125
Building Fund	63,358,747	42,637,822	74,238,923	31,757,646
County School Facilities Fund	44,368,395	77,329,383	40,421,962	81,275,816
CFD Capital Projects Fund	152,362,839	25,256,979	40,842,260	136,777,558
Adult Education Fund	72,481	432,871	410,499	94,853
Child Development Fund	172,612	1,482,155	1,403,461	251,306
Cafeteria Fund	2,208,359	10,406,475	10,195,123	2,419,711
Deferred Maintenance Fund	1,885,598	4,011,472	2,779,146	3,117,924
Capital Facilities Fund	21,552,843	8,588,705	7,288,312	22,853,236
Special Reserve Fund for Capital Outlay Projects	22,149,465	7,865,779	5,012,616	25,002,628
Bond Interest and Redemption Fund	9,377,214	12,238,587	11,758,046	9,857,755
Total	\$ 375,222,848	\$ 611,916,975	\$ 607,115,265	\$ 380,024,558

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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. (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 75.)

Budgeted expenditures increased by \$38,828,529 due to the appropriation of prior year fund balances, utilization of one-time resources, as well as budgetary increases for gift allocations. These amounts were unknown at the time the budget was adopted and the allocations were made during the fiscal year. In addition, the District successfully negotiated salary increases and health and welfare contributions that were not part of the adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$1,323,692,922 (net) in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table 5

(Net of accumulated depreciation)

	Governmental Activities	
	2019	2018
Land and construction in process	\$ 862,623,355	\$ 812,446,243
Buildings and improvements	445,431,116	395,323,006
Furniture and equipment	15,638,451	9,575,328
Total	\$ 1,323,692,922	\$ 1,217,344,577

We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had \$183,602,806 in long-term obligations outstanding versus \$143,923,760 last year; an increase of 27.6 percent.

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds, net of premium	\$ 138,406,384	\$ 101,424,384
Capital leases	743,125	-
Compensated absences	1,147,917	1,141,427
Aggregate net OPEB liability	43,305,380	41,357,949
Total	\$ 183,602,806	\$ 143,923,760

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of \$398,975,637 versus \$372,011,438 last year, an increase of \$26,964,199, or 7.2 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

- A 2.95 percent on-going salary increase, an increase in the District's health and welfare contribution from \$10,143 to \$10,275 per eligible member, and an \$800,000 one-time contribution to the health and welfare fund.
- Completed construction on Measure E Northwood High School new turf and field project.
- Continued construction on Measure E projects to add new classrooms, Science labs, etc., at eight school sites.
- Continued planning for Measure E Music classrooms at three school sites.
- Continued planning for Measure E modernization projects at ten school sites.
- Continued planning for Measure E projects in Series 2.
- Continued Relo projects at Cypress Village Elementary School.
- Completed Relo project at Portola Springs Elementary School.
- Completed construction of Cadence Park K-8.
- Completed construction of Eastshore Relo project.
- Continued construction of Loma Ridge Elementary School.
- Continued construction of Canyon View expansion project.
- Continued District-Wide IT Infrastructure project.
- Completed construction of Beacon Park Relo project.
- Continued planning of Heritage Fields K-8 #3.
- Completed construction at three school sites to add relos for Irvine Child Care Program (ICCP).
- Began District-Wide IS Telecommunications project.
- Continued District-Wide Security System Project.
- Began construction of Beacon Park Relo (leased) project.
- Began construction of Eastwood Relo project.

IRVINE UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Five percent increase for property tax revenues.
2. Projected ADA growth of 525 students is anticipated.
3. Revenue projections based on Local Control Funding Formula.
4. Local revenues/gift funds remain unbudgeted until received.
5. Budgeted expenditures are aligned with the District's approved Local Control Accountability Plan (LCAP). The District's final approved LCAP is available on the District's website.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten	31:1	2,831
Grades one through three	30:1	8,252
Grades four through six	31.5:1	8,356
Grades seven through twelve	30.5:1	16,278

The new items specifically addressed in the budget are:

1. No salary increases are projected for 2019-2020.
2. No increases in health benefit contributions are projected in 2019-2020.
3. Costs associated with the opening of Loma Ridge Elementary school.
4. Additional designated reserves have been included for contingency reserves (\$5.0 million), and additional reserves set aside for future LCAP distribution.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Irvine Unified School District, 5050 Barranca Parkway, Irvine, California, 92604, or e-mail at JohnFogarty@iusd.org.

IRVINE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 435,649,461
Receivables	16,970,329
Due from other governmental units	
Prepaid expenses	300,624
Stores inventories	257,212
Other current assets	48,161
Capital assets	
Capital assets not depreciated	862,623,355
Capital assets, net of accumulated depreciation	461,069,567
Total Capital Assets	<u>1,323,692,922</u>
Total Assets	<u>1,776,918,709</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB)	1,451,858
Deferred outflows of resources related to pensions	130,075,922
Total Deferred Outflows of Resources	<u>131,527,780</u>
LIABILITIES	
Accounts payable	26,399,737
Interest payable	1,728,606
Unearned revenue	993,623
Claims liability	9,130,322
Current portion of long-term obligations other than pensions	5,622,796
Noncurrent portion of long-term obligations other than pensions	177,980,010
Total Long-Term Obligations	<u>183,602,806</u>
Aggregate net pension liability	398,975,637
Total Liabilities	<u>620,830,731</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	14,860,287
NET POSITION	
Net investment in capital assets	1,216,301,059
Restricted for:	
Debt service	8,129,149
Capital projects	265,909,238
Educational programs	19,892,469
Other activities	39,251,212
Unrestricted deficit	(276,727,656)
Total Net Position	<u>\$ 1,272,755,471</u>

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

IRVINE UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 273,704,687	\$ 353,442	\$ 36,036,023	\$ 37,971,178	\$ (199,344,044)
Instruction-related activities:					
Supervision of instruction	22,461,203	165,786	3,799,338	-	(18,496,079)
Instructional library, media, and technology	10,257,203	1,727	9,546	-	(10,245,930)
School site administration	28,628,116	10,375	1,139,562	-	(27,478,179)
Pupil services:					
Home-to-school transportation	5,600,254	-	67,315	-	(5,532,939)
Food services	10,775,254	6,398,586	3,559,910	-	(816,758)
All other pupil services	33,113,821	51,534	5,358,504	-	(27,703,783)
Administration:					
Data processing	4,699,990	-	-	-	(4,699,990)
All other administration	9,206,675	199,870	957,331	-	(8,049,474)
Plant services	50,662,474	200,048	689,757	-	(49,772,669)
Ancillary services	2,183,008	57,195	161,502	-	(1,964,311)
Community services	1,085,040	-	-	-	(1,085,040)
Enterprise services	94,547	-	-	-	(94,547)
Interest on long-term obligations	4,772,781	-	-	-	(4,772,781)
Other outgo	6,614,294	4,347,632	12,648,376	-	10,381,714
Total Governmental Activities	\$ 463,859,347	\$ 11,786,195	\$ 64,427,164	\$ 37,971,178	(349,674,810)
General revenues and subventions:					
					266,065,653
Property taxes, levied for general purposes					8,614,896
Property taxes, levied for debt service					34,911,417
Taxes levied for other specific purposes					60,126,052
Federal and State aid not restricted to specific purposes					1,484,275
Interest and investment earnings					25,227,652
Miscellaneous					
Subtotal, General Revenues					396,429,945
Change in Net Position					46,755,135
Net Position - Beginning					1,226,000,336
Net Position - Ending					\$ 1,272,755,471

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

IRVINE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 68,347,642	\$ 34,976,316	\$ 82,899,661
Receivables	15,097,484	95,725	158,266
Due from other funds	3,557,948	81	4,497
Prepaid expenditures	300,624	-	-
Stores inventories	159,860	-	-
Other current assets	48,161	-	-
Total Assets	\$ 87,511,719	\$ 35,072,122	\$ 83,062,424
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 17,786,530	\$ 3,243,582	\$ 1,715,254
Due to other funds	2,869,239	70,894	71,354
Unearned revenue	239,825	-	-
Total Liabilities	20,895,594	3,314,476	1,786,608
FUND BALANCES			
Nonspendable	610,484	-	-
Restricted	19,892,469	31,757,646	81,275,816
Committed	-	-	-
Assigned	38,165,172	-	-
Unassigned	7,948,000	-	-
Total Fund Balances	66,616,125	31,757,646	81,275,816
Total Liabilities and Fund Balances	\$ 87,511,719	\$ 35,072,122	\$ 83,062,424

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

CFD Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 136,721,229	\$ 65,955,645	\$ 388,900,493
145,481	801,025	16,297,981
4,459	2,817,834	6,384,819
-	-	300,624
-	97,352	257,212
-	-	48,161
<u>\$ 136,871,169</u>	<u>\$ 69,671,856</u>	<u>\$ 412,189,290</u>
\$ 69,445	\$ 1,932,762	\$ 24,747,573
24,166	3,387,883	6,423,536
-	753,798	993,623
<u>93,611</u>	<u>6,074,443</u>	<u>32,164,732</u>
-	97,352	707,836
136,777,558	60,287,284	329,990,773
-	3,212,777	3,212,777
-	-	38,165,172
-	-	7,948,000
<u>136,777,558</u>	<u>63,597,413</u>	<u>380,024,558</u>
<u>\$ 136,871,169</u>	<u>\$ 69,671,856</u>	<u>\$ 412,189,290</u>

IRVINE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balance - Governmental Funds		\$ 380,024,558
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	\$ 1,583,889,229	
Accumulated depreciation is	<u>(260,196,307)</u>	
Net Capital Assets		1,323,692,922
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when incurred.		(1,728,606)
An internal service fund is used by the District's 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.		36,677,547
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	39,230,708	
Net change in proportionate share of the net pension liability	25,826,771	
Difference between projected and actual earnings on pension plan investments	974,110	
Differences between expected and actual experience in the measurement of the total pension liability	8,654,493	
Changes of assumptions	<u>55,389,840</u>	
Total Deferred Outflows of Resources Related to Pensions		130,075,922
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Differences between projected and actual earnings on the pension plan investments	(10,790,019)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(4,070,268)</u>	
Total Deferred Inflows of Resources Related to Pensions		(14,860,287)

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

IRVINE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, CONTINUED JUNE 30, 2019

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		\$	1,451,858
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.			(398,975,637)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.			
Long-term obligations at year-end consist of:			
General obligation bonds, net of premium	\$	138,406,384	
Capital leases		743,125	
Compensated absences		1,147,917	
Aggregate net OPEB liability		43,305,380	
Total Long-Term Obligations			(183,602,806)
Total Net Position - Governmental Activities			<u><u>\$ 1,272,755,471</u></u>

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

IRVINE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 312,061,284	\$ -	\$ -
Federal sources	12,075,028	-	-
Other State sources	63,172,217	-	36,719,535
Other local sources	33,258,849	1,637,822	1,251,643
Total Revenues	420,567,378	1,637,822	37,971,178
EXPENDITURES			
Current			
Instruction	249,835,544	-	-
Instruction-related activities:			
Supervision of instruction	20,259,751	-	-
Instructional library, media, and technology	9,257,411	-	-
School site administration	26,319,087	-	-
Pupil services:			
Home-to-school transportation	5,448,222	-	-
Food services	61,650	-	-
All other pupil services	29,541,423	-	-
General administration:			
Data processing	4,163,854	-	-
All other general administration	7,702,170	-	-
Plant services	38,548,016	63,222	240,658
Ancillary services	2,061,693	-	-
Community services	1,043,075	-	-
Other outgo	3,206,711	-	-
Enterprise services	19,372	-	-
Facility acquisition and construction	2,367,808	74,175,701	40,082,965
Debt service			
Principal	79,171	-	-
Interest and other	13,095	-	-
Total Expenditures	399,928,053	74,238,923	40,323,623
Excess (Deficiency) of Revenues Over Expenditures	20,639,325	(72,601,101)	(2,352,445)
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	-	39,401,063
Other sources	127,073	-	(42,858)
Other sources - proceeds from issuance of bonds	-	41,000,000	-
Other sources - proceeds from capital leases	822,296	-	-
Transfers out	(12,836,864)	-	(98,339)
Net Financing Sources (Uses)	(11,737,495)	41,000,000	39,259,866
NET CHANGE IN FUND BALANCES	8,901,830	(31,601,101)	36,907,421
Fund Balance - Beginning	57,714,295	63,358,747	44,368,395
Fund Balances - Ending	\$ 66,616,125	\$ 31,757,646	\$ 81,275,816

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

CFD Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 312,061,284
-	4,082,279	16,157,307
-	504,800	100,396,552
22,004,873	26,394,656	84,547,843
<u>22,004,873</u>	<u>30,981,735</u>	<u>513,162,986</u>
-	1,241,186	251,076,730
-	85,033	20,344,784
-	6,870	9,264,281
-	343,793	26,662,880
-	-	5,448,222
-	9,921,232	9,982,882
-	4,686	29,546,109
-	-	4,163,854
-	315,229	8,017,399
644,898	1,665,919	41,162,713
-	-	2,061,693
-	348	1,043,423
3,407,583	-	6,614,294
-	226	19,598
3,542,130	7,181,548	127,350,152
-	7,175,000	7,254,171
-	4,583,046	4,596,141
<u>7,594,611</u>	<u>32,524,116</u>	<u>554,609,326</u>
<u>14,410,262</u>	<u>(1,542,381)</u>	<u>(41,446,340)</u>
-	10,562,508	50,113,571
3,252,106	-	3,336,321
-	3,481,801	44,481,801
-	-	822,296
<u>(33,247,649)</u>	<u>(6,323,087)</u>	<u>(52,505,939)</u>
<u>(29,995,543)</u>	<u>7,721,222</u>	<u>46,248,050</u>
<u>(15,585,281)</u>	<u>6,178,841</u>	<u>4,801,710</u>
<u>152,362,839</u>	<u>57,418,572</u>	<u>375,222,848</u>
<u>\$ 136,777,558</u>	<u>\$ 63,597,413</u>	<u>\$ 380,024,558</u>

IRVINE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 4,801,710
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 capital outlays exceeds depreciation in the period.	
Capital outlays	\$ 123,621,837
Depreciation expense	<u>(17,273,492)</u>
Net Expense Adjustment	106,348,345
In the Statement of Activities, certain operating expenses - accumulated vacations are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was less than the amounts earned by \$6,490.	
	(6,490)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	
Sale of General Obligation Bonds	(41,000,000)
Government funds report the effect of premiums, discounts, issuance cost, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized on in the Statement of Activities.	
Premium on issuance	(3,481,801)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute a long-term obligation in the Statement of Net Position.	
	(822,296)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	7,175,000
Capital leases	<u>79,171</u>
Combined adjustment	7,254,171

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

IRVINE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of debt premium	\$ 324,801
Interest on long-term obligations 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.	(501,441)
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.	(24,683,832)
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.	(2,004,852)
An internal service fund is used by the District's management to charge the costs of the workers' compensation and health care insurance programs to the individual funds. The net change in assets of the internal service fund is reported with governmental activities.	526,820
Change in Net Position of Governmental Activities	\$ 46,755,135

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

IRVINE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

	Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 46,748,968
Receivables	672,348
Due from other funds	42,368
Total Current Assets	<u>47,463,684</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,652,164
Due to other funds	3,651
Claims liability	9,130,322
Total Current Liabilities	<u>10,786,137</u>
NET POSITION	
Restricted	<u>\$ 36,677,547</u>

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

IRVINE UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	\$ 37,132,389
OPERATING EXPENSES	
Payroll costs	453,050
Professional and contract services	39,370,489
Supplies and materials	19,394
Facility rental	1,148
Total Operating Expenses	<u>39,844,081</u>
Operating Loss	<u>(2,711,692)</u>
NONOPERATING REVENUES	
Interest income	<u>846,144</u>
Loss Before Transfers	<u>(1,865,548)</u>
Transfers in	2,542,368
Transfers out	(150,000)
Total Net Transfers	<u>2,392,368</u>
Change in Net Position	526,820
Total Net Position - Beginning	<u>36,150,727</u>
Total Net Position - Ending	<u>\$ 36,677,547</u>

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

IRVINE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 36,460,041
Cash payments to employers for services	(453,050)
Cash payments for insurance claims	(9,000,532)
Cash payments to other suppliers for goods and services	(2,378)
Other operating cash payments	(29,017,835)
Net Cash From Operating Activities	<u>(2,013,754)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	2,542,368
Transfers to other funds	(150,000)
Net Cash From Noncapital Financing Activities	<u>2,392,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	846,144
Net change in cash and cash equivalents	1,224,758
Cash and cash equivalents - Beginning	45,524,210
Cash and cash equivalents - Ending	<u>\$ 46,748,968</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Operating loss	\$ (2,711,692)
Changes in assets and liabilities:	
Receivables	38,505
Due from other funds	(42,368)
Accounts payable	33,661
Due to other funds	(177,676)
Claims liability	845,816
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (2,013,754)</u>

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

IRVINE UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 30,181,223
Receivables	<u>32,756,559</u>
Total Assets	<u><u>\$ 62,937,782</u></u>
 LIABILITIES	
Due to student groups	\$ 2,716,655
Due to bondholders	<u>60,221,127</u>
Total Liabilities	<u><u>\$ 62,937,782</u></u>

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

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Irvine Unified School District (the District) was unified on July 1, 1972, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates twenty-four elementary schools, four K-8 schools, six middle schools, five high schools, one continuation school, one independent study school, and one adult education center.

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 Irvine Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The basic financial statements include blended component units. The blended component units, although legally separate entities are, in substance, part of the District's operations and so data from these units are combined with data of the primary government for purposes of reporting in the accompanying basic financial statements.

The Irvine Unified School District and the Irvine Unified School District Financing Authority (the Authority) have financial and operational relationships which meet the reporting entity definition criteria of the GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Authority as a component unit of the District.

The Authority's financial activity is presented in the financial statements in the CFD Capital Project Funds and in the agency fund.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Blended Component Units

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established the Community Facilities Districts Nos. 86-1, 01-1, 04-1, 04-2A, 04-2B, 06-1, 08-1, and 09-1 legally constituted governmental entities, for the purpose of financing special capital projects. The Community Facilities Districts (CFDs) were authorized, at special elections, to incur indebtedness and subsequently sold bonds for the purpose of providing educational facilities within the District boundaries. The repayment of the bonds is not a general or special obligation of the CFDs, but rather are limited obligations payable solely from the proceeds of special taxes levied on property within the Community Facilities Districts.

The following are those aspects of the relationship between the District and the Community Facilities Districts which satisfy Statement Three criteria.

Manifestations of Oversight

The CFDs and the District have common boards.

The CFDs have no employees. The District's Superintendent functions as an agent of the CFDs.

The District exercises significant influence over operations of the CFDs as all projects of the CFDs involve the Irvine Unified School District.

Accountability of Fiscal Matters

The District is responsible for preparation of the annual budgets for the CFDs.

Scope of Public Service

The CFDs were created specifically to finance capital improvements for the District.

Financial Presentation

For financial presentation purposes, the CFDs' financial activity has been blended, or combined with the financial data of the District. The financial statements present the CFDs' financial activity within the Combined Community Facilities District Capital Projects Funds and in an Agency Fund for the repayment of the Non-Obligatory Debt.

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.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 major and non-major 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.

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

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), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Community Facilities District (CFD) Capital Projects Fund The CFD Capital Projects Fund is used to account for capital projects financed by Community Facilities Districts that are considered blended component units of the District.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

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.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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).

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 of 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* Section 15125-15262).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. 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 any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a self-insurance program that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds include:

- Debt Service Special Tax Bonds – this is an Agency fund used to account for the resources accumulated for the repayment of special assessment debt of the component unit described under financial reporting entity.
- Student Funds – are Agency funds used to account for student fund activities.

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 expenses, both direct and indirect, and program revenues for each segment of the District and for each governmental function, 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, except for depreciation. 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 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 internal service fund and the restrictions on their use.

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

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using a 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. The internal activity of this fund is eliminated in the government-wide Statement of Activities.

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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionment, 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 revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time 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, if measurable and typically paid within 90 days. Principal and interest on long-term obligations, 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 held at June 30, 2019, 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 investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when they are incurred.

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 funds when used.

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 \$20,000. 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.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

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, 25 to 50 years; improvements, 5 to 25 years; equipment, 5 to 10 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 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 recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported 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 Obligations

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

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 and 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.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

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 pension related items and for OPEB related items.

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 District reports deferred inflows of resources for pension 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. Payments for the aggregate net pension liability are made by the fund for which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the District Plan and information about the fiduciary net position of 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 recognizes 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. Payments for the aggregate net OPEB liability are made by the General Fund.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Fund Balances - Governmental Funds

As of June 30, 2019, 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.

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, only the governing board, Assistant Superintendent of Business Services (CFO), or the Director of Fiscal Services may assign amounts for specific purposes. Assigned funds cannot cause a deficit in unassigned fund balance.

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 liabilities. 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 \$333,182,068 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund Activity

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

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

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 435,649,461
Fiduciary funds	30,181,223
Total Deposits and Investments	<u>\$ 465,830,684</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 5,659,303
Cash in revolving	150,000
Investments	460,021,381
Total Deposits and Investments	<u>\$ 465,830,684</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 amortized cost basis.

The Treasury Oversight Committee established in December 1995, which consists of the elected County Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, one special district representative member, and one member from the public sector appointed by the Board, conducts Treasury oversight of the Orange County Educational Investment Pool. The Orange County Educational Investment Pool is not registered with the SEC.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Orange County Educational Investment pool and money market funds.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	Fair Value	Weighted Average Days to Maturity
Money Market Funds - Federated Treasury Obligation Funds	\$ 90,481,905	N/A
Orange County Educational Investment Pool	370,948,118	310
Total	<u>\$ 461,430,023</u>	

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 investment in the Orange County Educational Investment Pool and the Money Market Funds - Federated Treasury Obligation Funds are rated by S&P Global Ratings. Presented below is the minimum rating required by the California *Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating June 30, 2019	Fair Value
Money Market Funds - Federated Treasury Obligation Funds	Not required	AAAm	\$ 90,481,905
Orange County Educational Investment Pool	Not required	AAAm	370,948,118
Total			<u>\$ 461,430,023</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$4,792,857 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Money Market Funds - Federated Treasury Obligations Funds	\$ 90,481,905	\$ 90,481,905
Orange County Pooled Investment Fund	370,948,118	370,948,118
Total	<u>\$ 461,430,023</u>	<u>\$ 461,430,023</u>

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

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, 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	CFD Capital Projects Fund	Non-Major Governmental Funds
Federal Government					
Categorical aid	\$ 6,163,257	\$ -	\$ -	\$ -	\$ 455,374
State Government					
Categorical aid	3,258,327	-	-	-	4,300
Lottery	1,689,435	-	-	-	-
LCFF apportionment	1,362,251	-	-	-	-
Other State	763,873	-	-	-	36,313
Local Government					
Interest	248,110	95,725	158,266	145,481	5,357
Local taxes	-	-	-	-	-
Other local	1,612,231	-	-	-	299,681
Total	<u>\$ 15,097,484</u>	<u>\$ 95,725</u>	<u>\$ 158,266</u>	<u>\$ 145,481</u>	<u>\$ 801,025</u>

	Internal Service Fund	Total Governmental Activities	Agency Fund
Federal Government			
Categorical aid	\$ -	\$ 6,618,631	\$ -
State Government			
Categorical aid	-	3,262,627	-
Lottery	-	1,689,435	-
LCFF apportionment	-	1,362,251	-
Other State	-	800,186	-
Local Government			
Interest	74,661	727,600	-
Local taxes	-	-	32,699,747
Other local	597,687	2,509,599	56,812
Total	<u>\$ 672,348</u>	<u>\$ 16,970,329</u>	<u>\$ 32,756,559</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 407,437,022	\$ -	\$ -	\$ 407,437,022
Construction in progress	405,009,221	119,858,223	69,681,111	455,186,333
Total Capital Assets Not Being Depreciated	812,446,243	119,858,223	69,681,111	862,623,355
Capital Assets Being Depreciated				
Land improvements	29,585,409	5,907,470	-	35,492,879
Buildings and improvements	597,446,491	60,277,346	-	657,723,837
Equipment	20,789,249	7,259,909	-	28,049,158
Total Capital Assets Being Depreciated	647,821,149	73,444,725	-	721,265,874
Less Accumulated Depreciation				
Land Improvements	12,978,449	572,776	-	13,551,225
Buildings and improvements	218,730,445	15,503,930	-	234,234,375
Equipment	11,213,921	1,196,786	-	12,410,707
Total Accumulated Depreciation	242,922,815	17,273,492	-	260,196,307
Governmental Activities Capital Assets, Net	\$ 1,217,344,577	\$ 176,029,456	\$ 69,681,111	\$ 1,323,692,922

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 15,651,963
Food Services	4,956
All other general admin.	101,574
Plant services	1,514,999
Total Depreciation Expenses Governmental Activities	\$ 17,273,492

IRVINE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds, and internal service fund are as follows:

Due To	Due From						
	General Fund	Building Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
General Fund	\$ -	\$ 70,894	\$ 71,354	\$ 24,166	\$ 3,387,883	\$ 3,651	\$ 3,557,948
Building Fund	81	-	-	-	-	-	81
County School Facilities Fund	4,497	-	-	-	-	-	4,497
CFD Capital Projects Fund	4,459	-	-	-	-	-	4,459
Non-Major Governmental Funds	2,817,834	-	-	-	-	-	2,817,834
Internal Service Fund	42,368	-	-	-	-	-	42,368
Total	\$ 2,869,239	\$ 70,894	\$ 71,354	\$ 24,166	\$ 3,387,883	\$ 3,651	\$ 6,427,187

- A balance of \$81 is due to the Building Fund from General Fund to reverse Cal-Card duplicates.
- A balance of \$4,497 is due to the County School Facilities Fund from the General Fund for payroll related expenditures.
- A balance of \$4,459 is due to the CFD Capital Projects Fund from the General Fund for future projects.
- A balance of \$429,152 is due to the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund from the General Fund for backfill E-Rate rebates.
- A balance of \$161,067 is due to the Child Development Non-Major Governmental Fund from the General Fund for operating costs.
- A balance of \$2,227,615 is due to Deferred Maintenance Non-Major Governmental fund from the General Fund for future projects.
- A balance of \$42,368 is due to Internal Service Fund from the General Fund for operating costs.
- A balance of \$70,894 is due to the General Fund from the Building Fund for payroll related expenditures.
- A balance of \$71,354 is due to the General Fund from the County School Facilities Fund for reimbursement of payroll expenditures.
- A balance of \$24,166 is due to the General Fund from the CFD Capital Projects Fund for reimbursement of payroll expenditures.
- A balance of \$48,339 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund for reimbursement of payroll expenditures.
- A balance of \$28,927 is due to the General Fund from the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for reimbursement of payroll expenditures.
- A balance of \$2,558,454 is due to the General Fund from the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for operating costs.
- A balance of \$5,997 is due to the General Fund from Child Development Non-Major Governmental Fund for reimbursement of operating costs.
- A balance of \$24,092 is due to the General Fund from Child Development Non-Major Governmental Fund for reimbursement of indirect costs.
- A balance of \$35,784 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of operating costs.
- A balance of \$273,891 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of indirect costs.
- A balance of \$400,000 is due to the General Fund from the Adult Education Non-Major Governmental Fund for reimbursement of operating costs.
- A balance of \$12,304 is due to the General Fund from the Adult Education Non-Major Governmental Fund for reimbursement of indirect costs.
- A balance of \$95 is due to the General Fund from the Adult Education and Child Development Non-Major Governmental Funds for reimbursement of operating costs.
- A balance of \$3,651 is due to the General Fund from the Internal Service Fund to fund the liability for operating costs.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer To	Transfer From					Total
	General Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Fund	Internal Service Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
County School Facilities Fund	32,181	-	33,045,795	6,323,087	-	39,401,063
Non-Major Governmental Funds	10,262,315	98,339	201,854	-	-	10,562,508
Internal Service Fund	2,542,368	-	-	-	-	2,542,368
Total	<u>\$ 12,836,864</u>	<u>\$ 98,339</u>	<u>\$ 33,247,649</u>	<u>\$ 6,323,087</u>	<u>\$ 150,000</u>	<u>\$ 52,655,939</u>

The General Fund transferred to the County School Facilities Fund CTE Incentive grant.	\$ 32,181
The General Fund transferred to the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for community redevelopment and contributions for future projects.	6,123,632
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating costs.	161,068
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future projects.	3,977,615
The General Fund transferred to the Internal Service Fund to fund property and liability insurance.	1,742,368
The General Fund transferred to the Internal Service Fund to fund health and welfare benefits.	800,000
The County School Facilities Fund transferred to Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for construction expenditures.	98,339
The CFD Capital Projects Fund transferred to the County School Facilities Fund for construction expenditures.	33,045,795
The CFD Capital Projects Fund transferred to the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for construction expenditures.	201,854
The Capital Facilities Non-Major Governmental Fund transferred to the County School Facilities Fund for construction expenditures.	6,323,087
The Internal Service Fund transferred to the General Fund for operating costs.	150,000
Total	<u>\$ 52,655,939</u>

IRVINE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	CFD Capital Projects Fund	Non-Major Governmental Funds
Salaries and benefits	\$ 10,884,097	\$ 727,539	\$ -	\$ -	\$ 439,511
Construction	244,416	2,516,043	1,715,254	69,445	1,241,822
Special education	252,753	-	-	-	-
Other	6,405,264	-	-	-	251,429
Total	<u>\$ 17,786,530</u>	<u>\$ 3,243,582</u>	<u>\$ 1,715,254</u>	<u>\$ 69,445</u>	<u>\$ 1,932,762</u>

	Internal Service Fund	Total Governmental Activities
Salaries and benefits	\$ 34,808	\$ 12,085,955
Construction	-	5,786,980
Special education	-	252,753
Other	1,617,356	8,274,049
Total	<u>\$ 1,652,164</u>	<u>\$ 26,399,737</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 116,205	\$ -	\$ 116,205
State categorical aid	-	52,512	52,512
Other local	123,620	701,286	824,906
Total	<u>\$ 239,825</u>	<u>\$ 753,798</u>	<u>\$ 993,623</u>

IRVINE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions/ Adjustments	Balance June 30, 2019	Due in One Year
2016 General Obligation Bonds, Series 2016A	\$ 95,000,000	\$ -	\$ 7,175,000	\$ 87,825,000	\$ 4,125,000
2016 General Obligation Bonds, Series 2018B	-	41,000,000	-	41,000,000	1,300,000
Unamortized premium on issuance	6,424,384	3,481,801	324,801	9,581,384	-
Capital leases	-	822,296	79,171	743,125	197,796
Compensated absences	1,141,427	6,490	-	1,147,917	-
Aggregate net OPEB liability	41,357,949	3,577,879	1,630,448	43,305,380	-
	<u>\$ 143,923,760</u>	<u>\$ 48,888,466</u>	<u>\$ 9,209,420</u>	<u>\$ 183,602,806</u>	<u>\$ 5,622,796</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for compensated absences will be paid by the fund for which the employee worked. Payments for the capital leases and the aggregate net OPEB liability are made by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2018	Issued	Redeemed	Outstanding June 30, 2019
10/11/2016	9/1/2046	3.125-5.000%	\$ 95,000,000	\$ 95,000,000	\$ -	\$ 7,175,000	\$ 87,825,000
8/30/2018	9/1/2048	3.50-6.00%	41,000,000	-	41,000,000	-	41,000,000
				<u>\$ 95,000,000</u>	<u>\$ 41,000,000</u>	<u>\$ 7,175,000</u>	<u>\$ 128,825,000</u>

Debt Service Requirement to Maturity

2016 General Obligation Bonds, Series 2016A

In October 2016, the District issued General Obligation Bonds, Series 2016A, in the amount of \$95,000,000. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of classrooms, school, sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. Interest rates on the bonds range from 3.125 to 5.000 percent.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

As of June 30, 2019, the principal balance outstanding is \$87,825,000. The bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 4,125,000	\$ 3,291,369	\$ 7,416,369
2021	4,555,000	3,074,369	7,629,369
2022	2,920,000	2,887,494	5,807,494
2023	3,240,000	2,733,494	5,973,494
2024	3,585,000	2,562,869	6,147,869
2025-2029	17,970,000	10,198,070	28,168,070
2030-2034	8,125,000	7,524,220	15,649,220
2035-2039	12,370,000	5,775,670	18,145,670
2040-2044	17,450,000	3,533,869	20,983,869
2045-2047	13,485,000	649,455	14,134,455
Total	<u>\$ 87,825,000</u>	<u>\$ 42,230,879</u>	<u>\$ 130,055,879</u>

2016 General Obligation Bonds, Series 2018B

In August 2018, the District issued General Obligation Bonds, Series 2018B, in the amount of \$41,000,000. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of classrooms, school sites, and facilities and costs related thereto, as approved by the voters, for schools in Improvement District No. 1. Interest rates on the bonds range from 3.50 to 6.00 percent.

As of June 30, 2019, the principal balance outstanding is \$41,000,000. The bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 1,300,000	\$ 1,752,324	\$ 3,052,324
2021	550,000	1,696,825	2,246,825
2022	1,450,000	1,636,825	3,086,825
2023	-	1,593,325	1,593,325
2024	-	1,593,325	1,593,325
2025-2029	95,000	7,963,188	8,058,188
2030-2034	2,890,000	7,600,875	10,490,875
2035-2039	6,100,000	6,393,350	12,493,350
2040-2044	10,420,000	4,520,500	14,940,500
2045-2049	18,195,000	1,870,075	20,065,075
Total	<u>\$ 41,000,000</u>	<u>\$ 36,620,612</u>	<u>\$ 77,620,612</u>

Premium on Issuance

The District's general obligation bonds involved a premium on issuance. The premiums are amortized over the life of the obligation on a straight-line basis as a component of interest expense. The unamortized premium balance at June 30, 2019 is \$9,581,384.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,147,917. District policy requires that accumulated vacation be utilized within a calendar year-end or six months following, unless specifically approved.

Capital Leases

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

	Equipment
Balance, July 1, 2018	\$ -
Additions	885,749
Payments	(92,266)
Balance, July 1, 2019	<u>\$ 793,483</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	\$ 221,437
2021	221,437
2022	221,437
2023	129,172
Total	<u>793,483</u>
Less: Amount Representing Interest	(50,358)
Present Value of Minimum Lease Payments	<u>\$ 743,125</u>

The equipment purchased through capital lease arrangements has been capitalized and is being depreciated over the estimated useful lives.

Equipment	\$ 885,749
Less: Accumulated depreciation	(50,358)
Total	<u>\$ 835,391</u>

Amortization of the leased equipment under capital lease is included in depreciation expense.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 41,210,700	\$ 1,451,858	\$ 2,126,021
Medicare Premium Payment (MPP) Program	2,094,680	-	(121,169)
Total	<u>\$ 43,305,380</u>	<u>\$ 1,451,858</u>	<u>\$ 2,004,852</u>

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

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	152
Active employees	2,269
	<u>2,421</u>

Benefits Provided

The Plan provides medical, dental, and vision 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.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Irvine Teachers Association (ITA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, ITA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$1,509,279 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of \$41,210,700 was measured as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.50 percent
Salary increases	3.00 percent
Discount rate	3.50 percent
Healthcare cost trend rates	5.50 percent (PPO) and 6.25 (HMO)

The discount rate was based on the fidelity yield index for 20-year AA rated municipal bonds.

Based on the most recent pension experience studies, CalSTRS and CalPERS actuaries have updated their valuation mortality assumptions and incorporated a margin for future mortality improvement. They have deemed the rates to be reasonable based on experience and compliant with ASOP 35 for their respective 2017 actuarial valuations. The demographic rates used for a retiree health valuation generally mirror those adopted by its companion pension plan.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the 42 months ending March 31, 2017.

IRVINE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 39,142,100
Service cost	2,196,079
Interest	1,381,800
Benefit payments	<u>(1,509,279)</u>
Net change in total OPEB liability	<u>2,068,600</u>
Balance at June 30, 2018	<u><u>\$ 41,210,700</u></u>

Changes of benefit terms: No changes to benefits noted from previous valuation.

Changes of assumptions and other inputs: No changes to assumptions and other inputs noted from previous valuation.

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:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.50%)	\$ 43,868,800
Current discount rate (3.50%)	41,210,700
1% increase (4.50%)	38,655,200

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

The following presents the total OPEB liability of the District if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00% for medical and dental; 1% for vision)	\$ 36,929,900
Current healthcare cost trend rate (4.00% medical and dental; 2% for vision)	41,210,700
1% increase (5.00% medical and dental; 3% for vision)	46,284,200

Deferred Outflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of \$1,451,858 which will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 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.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. 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, 2019, the District reported a liability of \$2,094,680 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.5472 percent and 0.5267 percent, resulting in a net increase in the proportionate share of 0.0205 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of (\$121,169).

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 net OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the net OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, 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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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 net OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the net OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 (2.87%)	\$ 2,316,822
Current discount rate (3.87%)	2,094,680
1% increase (4.87%)	1,894,103

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 current 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 Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,910,138
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	2,094,680
1% increase (4.7% Part A and 5.1% Part B)	2,293,153

NOTE 10 - NON-OBLIGATORY DEBT

Bonded Debt - Community Facilities District (CFD) Special Tax Bonds

The bonds issued by the Community Facilities Districts (hereinafter referred to as the CFDs) are not obligations of the Irvine Unified School District. The bonds, the interest thereon, and any premiums on the redemption of any of the bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the general taxing power of the CFDs, the District, the County, the State of California, or any political subdivision thereof is pledged to the payment of the bonds. The bonds are payable from the proceeds of an annual special tax levied on and collected from property within the CFDs according to the rate and method of apportionment determined by a formula approved by the qualified electors of the CFDs and by the Board of Education of Irvine Unified School District. The bonds are secured only by a first pledge of all revenues derived from the net special taxes and the monies deposited in certain funds held by the fiscal agent under the fiscal agent agreement. At June 30, 2019, the CFDs Bonds outstanding amounted to \$619,915,000.

IRVINE UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund
Nonspendable			
Revolving cash	\$ 150,000	\$ -	\$ -
Stores inventories	159,860	-	-
Prepaid expenditures	300,624	-	-
Total Nonspendable	610,484	-	-
Restricted			
Legally restricted programs	19,892,469	-	-
Child development program	-	-	-
Cafeteria program	-	-	-
Capital projects	-	31,757,646	81,275,816
Debt services	-	-	-
Total Restricted	19,892,469	31,757,646	81,275,816
Committed			
Adult education program	-	-	-
Deferred maintenance program	-	-	-
Total Committed	-	-	-
Assigned			
School site/department carryover	8,166,422	-	-
LCAP allocations	12,919,979	-	-
Other board assigned	17,078,771	-	-
Total Assigned	38,165,172	-	-
Unassigned			
Reserve for economic uncertainties	7,948,000	-	-
Total	\$ 66,616,125	\$ 31,757,646	\$ 81,275,816

CFD Capital Projects Fund	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 150,000
-	97,352	257,212
-	-	300,624
-	97,352	707,836
-	-	19,892,469
-	251,306	251,306
-	2,322,359	2,322,359
136,777,558	47,855,864	297,666,884
-	9,857,755	9,857,755
136,777,558	60,287,284	329,990,773
-	94,853	94,853
-	3,117,924	3,117,924
-	3,212,777	3,212,777
-	-	8,166,422
-	-	12,919,979
-	-	17,078,771
-	-	38,165,172
-	-	7,948,000
<u>\$ 136,777,558</u>	<u>\$ 63,597,413</u>	<u>\$ 380,024,558</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 12 - RISK MANAGEMENT - CLAIMS

Description

The District's risk management activities for healthcare, property, liability, and workers' compensation exposures are recorded in the Internal Service Funds. Significant losses are covered by commercial insurance for all programs. The District is self-insured in medical and dental claims, and purchases commercial insurance for specific loss (\$100,000), and aggregate loss (125 percent of anticipated claims). The property and liability program for which the District has a self-insured retention level of \$25,000 has a primary level of commercial insurance of \$25,000 - \$1,000,000, and excess property liability coverage is obtained through a property and liability JPA, Southern California Regional Liability Excess Fund (SCR). Refer to Note 15 for additional information regarding the JPAs.

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

The following is a summary of the insurance policies carried by the District as of June 30, 2019:

<u>Insurance Program Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Workers' Compensation Program Excess Workers' Compensation	Workers' Compensation ACE Limited	Self-insured to \$350,000 \$350,000 - \$1,000,000 \$1,000,000 - Unlimited
Property and Liability Program Primary Coverage	Commercial Insurance Gulf/Traveler's	\$25,000 - \$1,000,000
Excess Property and Liability Program SCR	Liability Property	\$1,000,000 - \$25,000,000 \$1,000,000 - \$100,000,000

Claims Liabilities

The District records an estimated liability for healthcare, workers' compensation and indemnity torts 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.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Health Care	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2017	\$ 1,497,300	\$ 5,603,245	\$ 75,000	\$ 7,175,545
Claims and changes in estimates	23,273,964	2,884,659	173,136	26,331,759
Claims payments	(23,068,064)	(1,981,598)	(173,136)	(25,222,798)
Liability Balance, June 30, 2018	1,703,200	6,506,306	75,000	8,284,506
Claims and changes in estimates	25,904,475	2,906,065	62,605	28,873,145
Claims payments	(25,840,675)	(2,124,049)	(62,605)	(28,027,329)
Liability Balance, June 30, 2019	<u>\$ 1,767,000</u>	<u>\$ 7,288,322</u>	<u>\$ 75,000</u>	<u>\$ 9,130,322</u>
Assets available to pay claims at June 30, 2019				<u>\$ 45,807,869</u>

The District administers the Workers' Compensation Program through the purchase of commercial insurance for occurrences in excess of \$500,000.

NOTE 13 - 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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 280,214,268	\$ 93,704,747	\$ 14,860,287	\$ 38,251,814
CalPERS	118,761,369	36,371,175	-	25,662,726
Total	<u>\$ 398,975,637</u>	<u>\$ 130,075,922</u>	<u>\$ 14,860,287</u>	<u>\$ 63,914,540</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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, 2017, 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 percent 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.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$27,919,281.

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

At June 30, 2019, 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:	
District's proportionate share of net pension liability	\$ 280,214,268
State's proportionate share of net pension liability associated with the District	160,435,774
Total	<u><u>\$ 440,650,042</u></u>

The net pension liability was measured as of June 30, 2018. 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 periods of June 30, 2018 and June 30, 2017, was 0.3049 percent and 0.2909 percent, respectively, resulting in a net increase in the proportionate share of 0.0140 percent.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$38,251,814. In addition, the District recognized pension expense and revenue of \$18,847,586 for support provided by the State. At June 30, 2019, 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	\$ 27,919,281	\$ -
Net change in proportionate share of net pension liability	21,384,492	-
Differences between projected and actual earnings on the pension plan investments	-	10,790,019
Differences between expected and actual experience in the measurement of the total pension liability	868,933	4,070,268
Changes of assumptions	43,532,041	-
Total	<u>\$ 93,704,747</u>	<u>\$ 14,860,287</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,342,818
2021	(1,700,010)
2022	(9,052,406)
2023	(2,380,421)
Total	<u>\$ (10,790,019)</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 12,849,247
2021	12,849,247
2022	12,849,244
2023	10,643,353
2024	10,987,535
Thereafter	1,536,572
Total	\$ 61,715,198

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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 February 2017 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, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 percent) 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 410,481,112
Current discount rate (7.10%)	280,214,268
1% increase (8.10%)	172,210,414

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
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	18.062%	18.062%

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the 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, 2019, are presented above and the total District contributions were \$11,311,427.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$118,761,369. The net pension liability was measured as of June 30, 2018. 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 periods of June 30, 2018 and June 30, 2017, was 0.4454 percent and 0.4313 percent, respectively, resulting in a net increase in the proportionate share of 0.0141 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$25,662,726. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$ 11,311,427
Net change in proportionate share of net pension liability	4,442,279
Differences between projected and actual earnings on the pension plan investments	974,110
Differences between expected and actual experience in the measurement of the total pension liability	7,785,560
Changes of assumptions	11,857,799
Total	<u>\$ 36,371,175</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 3,543,051
2021	847,290
2022	(2,715,251)
2023	(700,980)
Total	<u>\$ 974,110</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 10,947,056
2021	9,904,806
2022	3,233,776
Total	<u>\$ 24,085,638</u>

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 percent of scale MP-2016.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 percent. 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%)	\$ 172,910,873
Current discount rate (7.15%)	118,761,369
1% increase (8.15%)	73,836,603

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Public Agency Retirement Services/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Public Agency Retirement Services (PARS) Alternative Retirement System (ARS) as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the retirement plan.

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 \$14,827,138 (8.646 percent 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule* and *Schedule of Financial Trends and Analysis*.

NOTE 14 - 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, 2019.

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, 2019.

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Measure E - Woodbridge High School	\$ 19,554,332	June 2020
Measure E - Springbrook	9,258,545	June 2020
Measure E - Springbrook Music	3,321,290	June 2020
Loma Ridge Elementary School NC (PA6 North)	2,195,686	June 2020
Measure E - Eastshore	1,163,357	June 2020
Heritage Fields K-8 #3	1,141,343	June 2021
Measure E - Meadow Park	1,043,423	June 2020
Measure E - Brywood	860,064	June 2020
ME S2 - Southlake (planning only)	719,953	June 2022
ME S2 - Woodbridge High School (planning only)	717,838	June 2022
Measure E - Brywood Music	709,978	June 2020
ME S2 - Bonita Canyon	701,914	June 2021
Measure E - Creekside	697,362	June 2020
ME S2 - Northwood Elementary School	636,100	June 2021
ME S2 - Turtle Rock	611,380	June 2021
Measure E - Westpark	524,706	June 2020
Measure E - Meadow Park Music	511,960	June 2020
ME S2 - University Park	458,852	June 2021
Measure E - Venado	395,198	June 2020
Portola High School	375,666	June 2020
Measure E - Rancho	237,867	June 2020
Security Systems	147,528	June 2020
Measure E - Southlake	140,264	June 2020
Measure E - Sierra Vista	122,145	June 2020
ME S2 - Southlake Music (planning only)	106,182	June 2022
Measure E - Lakeside	98,345	June 2020
Cadence Park K-8	94,448	June 2020
Measure E - Woodbridge High School Field	75,890	June 2020
Measure E - College Park	33,629	June 2020
DO Remodel - Board Room	26,720	June 2020
Measure E - Westwood	19,309	June 2020
Measure E - El Camino	15,853	June 2020
Beacon Park K-8	14,420	June 2020
Measure E - University High School	6,555	June 2020
Canyon View Relo 2017	2,064	June 2020
Cypress Village Relos 2018	2,002	June 2020
	<u>\$ 46,742,168</u>	

IRVINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Irvine Child Care Project (ICCP), the Coastline Regional Occupation Program (CROP), and the Southern California Regional Liability Excess Fund (SCR). The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented 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.



REQUIRED SUPPLEMENTARY INFORMATION

IRVINE UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 305,686,354	\$ 312,061,284	\$ 312,061,284	\$ -
Federal sources	10,978,353	12,912,301	12,075,028	(837,273)
Other State sources	55,921,730	48,607,589	63,172,217	14,564,628
Other local sources	19,331,606	33,330,341	33,258,849	(71,492)
Total Revenues ¹	391,918,043	406,911,515	420,567,378	13,655,863
EXPENDITURES				
Current				
Certificated salaries	169,707,664	173,876,620	173,479,519	397,101
Classified salaries	62,753,522	65,567,014	65,036,833	530,181
Employee benefits	91,196,511	92,365,964	106,925,623	(14,559,659)
Books and supplies	18,324,568	44,802,949	19,847,918	24,955,031
Services and operating expenditures	27,925,256	30,048,837	29,789,206	259,631
Other outgo	2,388,775	2,945,022	2,895,904	49,118
Capital outlay	530,880	2,049,299	1,860,784	188,515
Debt service - principal	-	-	79,171	(79,171)
Debt service - interest	-	-	13,095	(13,095)
Total Expenditures ¹	372,827,176	411,655,705	399,928,053	11,727,652
Excess (Deficiency) of Revenues Over Expenditures	19,090,867	(4,744,190)	20,639,325	25,383,515
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
Other sources	127,073	127,073	127,073	-
Other sources - proceeds from capital lease	-	-	822,296	822,296
Transfers out	(4,000,000)	(12,836,864)	(12,836,864)	-
Net Financing Sources (Uses)	(3,722,927)	(12,559,791)	(11,737,495)	822,296
NET CHANGE IN FUND BALANCE	15,367,940	(17,303,981)	8,901,830	26,205,811
Fund Balance - Beginning	57,714,295	57,714,295	57,714,295	-
Fund Balance - Ending	\$ 73,082,235	\$ 40,410,314	\$ 66,616,125	\$ 26,205,811

¹ On behalf payments of \$14,564,628 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 2,196,079	\$ 3,063,400
Interest	1,381,800	1,315,500
Benefit payments	<u>(1,509,279)</u>	<u>(2,579,900)</u>
Net change in total OPEB liability	2,068,600	1,799,000
Total OPEB liability - beginning	<u>39,142,100</u>	<u>37,343,100</u>
Total OPEB liability - ending	<u><u>\$ 41,210,700</u></u>	<u><u>\$ 39,142,100</u></u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>

¹ The District's 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.

See accompanying note to required supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.5472%	0.5267%
District's proportionate share of the net OPEB liability	\$ 2,094,680	\$ 2,215,849
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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.

See accompanying note to required supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.3049%</u>	<u>0.2909%</u>
District's proportionate share of the net pension liability	<u>\$ 280,214,268</u>	<u>\$ 269,045,923</u>
State's proportionate share of the net pension liability associated with the District	<u>160,435,774</u>	<u>159,165,295</u>
Total	<u><u>\$ 440,650,042</u></u>	<u><u>\$ 428,211,218</u></u>
District's covered-employee payroll	<u>\$ 163,396,473</u>	<u>\$ 155,545,167</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>171.49%</u>	<u>172.97%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.4454%</u>	<u>0.4313%</u>
District's proportionate share of the net pension liability	<u>\$ 118,761,369</u>	<u>\$ 102,965,515</u>
District's covered-employee payroll	<u>\$ 58,608,660</u>	<u>\$ 54,936,838</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>202.63%</u>	<u>187.43%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.2857%</u>	<u>0.2840%</u>	<u>0.2573%</u>
<u>\$ 231,073,623</u>	<u>\$ 191,183,402</u>	<u>\$ 150,336,786</u>
<u>131,546,092</u>	<u>101,114,944</u>	<u>90,779,842</u>
<u>\$ 362,619,715</u>	<u>\$ 292,298,346</u>	<u>\$ 241,116,628</u>
<u>\$ 140,348,108</u>	<u>\$ 128,281,509</u>	<u>\$ 117,564,372</u>
<u>164.64%</u>	<u>149.03%</u>	<u>127.88%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.4092%</u>	<u>0.3913%</u>	<u>0.3712%</u>
<u>\$ 80,811,529</u>	<u>\$ 57,679,362</u>	<u>\$ 42,136,649</u>
<u>\$ 48,625,796</u>	<u>\$ 43,001,436</u>	<u>\$ 44,404,774</u>
<u>166.19%</u>	<u>134.13%</u>	<u>94.89%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

IRVINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 27,919,281	\$ 23,578,111
Contributions in relation to the contractually required contribution	<u>(27,919,281)</u>	<u>(23,578,111)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 171,494,355</u>	<u>\$ 163,396,473</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
 CalPERS		
Contractually required contribution	\$ 11,311,427	\$ 9,102,511
Contributions in relation to the contractually required contribution	<u>(11,311,427)</u>	<u>(9,102,511)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 62,625,551</u>	<u>\$ 58,608,660</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

2017	2016	2015
\$ 19,567,582	\$ 15,059,352	\$ 11,391,398
<u>(19,567,582)</u>	<u>(15,059,352)</u>	<u>(11,391,398)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 155,545,167	\$ 140,348,108	\$ 128,281,509
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 7,629,628	\$ 5,760,698	\$ 5,061,699
<u>(7,629,628)</u>	<u>(5,760,698)</u>	<u>(5,061,699)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 54,936,838	\$ 48,625,796	\$ 43,001,436
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 State 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, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes of Benefit Terms - No changes to benefits noted from previous valuation.

Changes of Assumptions - No changes to assumptions and other inputs noted from 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 3.58 percent to 3.87 percent since the previous valuation.

IRVINE UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

IRVINE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,541,124
Title II, Part A, Supporting Effective Instruction	84.367	14341	444,661
Title III, Immigrant Student Program	84.365	15146	404,342
Title III, English Learner Student Program	84.365	14346	652,568
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	40,146
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	5,460,193
Preschool Grants, Part B, Sec 619	84.173	13430	131,260
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	29,295
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,561
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	433,830
Total Special Education (IDEA) Cluster			<u>6,056,139</u>
IDEA Early Intervention Grants	84.181	23761	46,184
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	120,618
Passed through the California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	506,688
Promoting Readiness of Minors in Supplemental Security Income (PROMISE)	84.418P	30070	219,912
Total U.S. Department of Education			<u>11,032,382</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	2,396,740
School Basic Breakfast	10.553	13390	309,890
Especially Needy Breakfast Program	10.553	13526	386,573
Commodities	10.555	13391	266,890
Total Child Nutrition Cluster			<u>3,360,093</u>
Child Care Food Program (CCFP) Claims - Centers and Family Day Care	10.558	13393	17,343
Total U.S. Department of Agriculture			<u>3,377,436</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Health Care Services (DHCS):			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	461,330
Medical Administrative Activities	93.778	10060	492,166
Total Medicaid Cluster			<u>953,496</u>
Passed through the California Department of Education (CDE):			
Child Care and Development Fund (CCDF) Cluster:			
Child Development: Federal General Child Care, Center Based	93.596	13609	704,843
Total CCDF Cluster			<u>704,843</u>
Total U.S. Department of Health and Human Services			<u>1,658,339</u>
Total Federal Programs			<u><u>\$ 16,068,157</u></u>

See accompanying note to supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Irvine Unified School District was unified on July 1, 1972, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates twenty-four elementary schools, four K-8 schools, six middle schools, five high schools, one continuation school, one independent study school, and one adult education center. The District is comprised of an area of approximately 62 square miles, located in Orange County. There were no boundary changes during the year.

BOARD OF EDUCATION

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Lauren Brooks	President	2020
Betty Carroll	Clerk	2020
Paul Bokota	Member	2020
Ira Glasky	Member	2022
Sharon Wallin	Member	2022

ADMINISTRATION

Terry Walker	District Superintendent
John Fogarty	Assistant Superintendent, Business Services/CFO
Brianne Ford	Chief Technology Officer
Eamonn O'Donnovan	Assistant Superintendent, Human Resources
Cassie Parham	Assistant Superintendent, Education Services

See accompanying note to supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	10,490.24	10,507.77
Fourth through sixth	8,081.00	8,099.55
Seventh and eighth	5,446.57	5,452.53
Ninth through twelfth	10,180.12	10,141.70
Total Regular ADA	<u>34,197.93</u>	<u>34,201.55</u>
Extended Year Special Education		
Transitional kindergarten through third	9.91	9.91
Fourth through sixth	3.31	3.31
Seventh and eighth	3.37	3.37
Ninth through twelfth	14.58	14.58
Total Extended Year Special Education	<u>31.17</u>	<u>31.17</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	9.48	9.63
Ninth through twelfth	23.12	24.62
Total Special Education, Nonpublic, Nonsectarian Schools	<u>32.60</u>	<u>34.25</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.08	0.08
Fourth through sixth	0.73	0.73
Seventh and eighth	0.56	0.56
Ninth through twelfth	3.38	3.38
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>4.75</u>	<u>4.75</u>
Total ADA	<u><u>34,266.45</u></u>	<u><u>34,271.72</u></u>

See accompanying note to supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	180	Complied
Grades 1 - 3	50,400				
Grade 1		50,798	180	180	Complied
Grade 2		50,798	180	180	Complied
Grade 3		50,798	180	180	Complied
Grades 4 - 6	54,000				
Grade 4		56,337	180	180	Complied
Grade 5		56,337	180	180	Complied
Grade 6		55,782	180	180	Complied
Grades 7 - 8	54,000				
Grade 7		55,782	180	180	Complied
Grade 8		55,782	180	180	Complied
Grades 9 - 12	64,800				
Grade 9		66,071	180	N/A	Complied
Grade 10		66,071	180	N/A	Complied
Grade 11		66,071	180	N/A	Complied
Grade 12		66,071	180	N/A	Complied

See accompanying note to supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 400,563,176	\$ 420,567,378	\$ 369,634,216	\$ 347,021,611
Other sources and transfers in	277,073	1,099,369	306,329	410,395
Total Revenues and Other Sources	400,840,249	421,666,747	369,940,545	347,432,006
Expenditures	417,302,334	399,928,053	360,801,603	345,042,000
Other uses and transfers out	5,860,000	12,836,864	9,427,268	8,759,996
Total Expenditures and Other Uses	423,162,334	412,764,917	370,228,871	353,801,996
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (22,322,085)</u>	<u>\$ 8,901,830</u>	<u>\$ (288,326)</u>	<u>\$ (6,369,990)</u>
ENDING FUND BALANCE	<u>\$ 44,294,040</u>	<u>\$ 66,616,125</u>	<u>\$ 57,714,295</u>	<u>\$ 58,002,621</u>
AVAILABLE RESERVES²	<u>\$ 8,464,000</u>	<u>\$ 7,948,000</u>	<u>\$ 7,405,000</u>	<u>\$ 7,077,000</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>183,602,806</u>	<u>\$ 143,923,760</u>	<u>\$ 142,562,041</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>34,791</u>	<u>34,266</u>	<u>33,629</u>	<u>32,451</u>

The General Fund balance has increased by \$8,613,504 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$22,322,085 (33.5 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$41,040,765 over the past two years.

Average daily attendance has increased by 1,815 over the past two years. Additional growth of 525 ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 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.

³ On behalf payments of \$14,564,628 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

IRVINE UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 486,355	\$ 252,842	\$ 3,235,071
Receivables	35,403	4,380	461,882
Due from other funds	-	161,067	-
Stores inventories	-	-	97,352
Total Assets	\$ 521,758	\$ 418,289	\$ 3,794,305
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,541	\$ 84,347	\$ 363,633
Due to other funds	412,364	30,124	309,675
Unearned revenue	-	52,512	701,286
Total Liabilities	426,905	166,983	1,374,594
FUND BALANCES			
Nonspendable	-	-	97,352
Restricted	-	251,306	2,322,359
Committed	94,853	-	-
Total Fund Balances	94,853	251,306	2,419,711
Total Liabilities and Fund Balances	\$ 521,758	\$ 418,289	\$ 3,794,305

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 2,083,242	\$ 22,733,279	\$ 27,341,069	\$ 9,823,787	\$ 65,955,645
2,650	214,534	48,208	33,968	801,025
2,227,615	-	429,152	-	2,817,834
-	-	-	-	97,352
<u>\$ 4,313,507</u>	<u>\$ 22,947,813</u>	<u>\$ 27,818,429</u>	<u>\$ 9,857,755</u>	<u>\$ 69,671,856</u>
\$ 1,195,583	\$ 46,238	\$ 228,420	\$ -	\$ 1,932,762
-	48,339	2,587,381	-	3,387,883
-	-	-	-	753,798
<u>1,195,583</u>	<u>94,577</u>	<u>2,815,801</u>	<u>-</u>	<u>6,074,443</u>
-	-	-	-	97,352
-	22,853,236	25,002,628	9,857,755	60,287,284
3,117,924	-	-	-	3,212,777
<u>3,117,924</u>	<u>22,853,236</u>	<u>25,002,628</u>	<u>9,857,755</u>	<u>63,597,413</u>
<u>\$ 4,313,507</u>	<u>\$ 22,947,813</u>	<u>\$ 27,818,429</u>	<u>\$ 9,857,755</u>	<u>\$ 69,671,856</u>

IRVINE UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ -	\$ 722,186	\$ 3,360,093
Other State sources	1,487	49,611	410,739
Other local sources	431,384	549,290	6,635,643
Total Revenues	432,871	1,321,087	10,406,475
EXPENDITURES			
Current			
Instruction	212,845	1,028,341	-
Instruction-related activities:			
Supervision of instruction	-	85,033	-
Instructional library, media, and technology	-	6,870	-
School site administration	139,909	203,884	-
Pupil services:			
Food services	-	-	9,921,232
All other pupil services	-	4,686	-
All other general administration	12,304	29,034	273,891
Plant services	45,441	16,354	-
Facility acquisition and construction	-	28,685	-
Community services	-	348	-
Enterprise services	-	226	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	410,499	1,403,461	10,195,123
Excess (Deficiency) of Revenues Over Expenditures	22,372	(82,374)	211,352
OTHER FINANCING SOURCES			
Transfers in	-	161,068	-
Other sources - proceeds from issuance of bonds	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	161,068	-
NET CHANGE IN FUND BALANCES	22,372	78,694	211,352
Fund Balances - Beginning	72,481	172,612	2,208,359
Fund Balances - Ending	\$ 94,853	\$ 251,306	\$ 2,419,711

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,082,279
-	-	-	42,963	504,800
33,857	8,588,705	1,441,954	8,713,823	26,394,656
<u>33,857</u>	<u>8,588,705</u>	<u>1,441,954</u>	<u>8,756,786</u>	<u>30,981,735</u>
-	-	-	-	1,241,186
-	-	-	-	85,033
-	-	-	-	6,870
-	-	-	-	343,793
-	-	-	-	9,921,232
-	-	-	-	4,686
-	-	-	-	315,229
380,806	935,936	287,382	-	1,665,919
2,398,340	29,289	4,725,234	-	7,181,548
-	-	-	-	348
-	-	-	-	226
-	-	-	7,175,000	7,175,000
-	-	-	4,583,046	4,583,046
<u>2,779,146</u>	<u>965,225</u>	<u>5,012,616</u>	<u>11,758,046</u>	<u>32,524,116</u>
<u>(2,745,289)</u>	<u>7,623,480</u>	<u>(3,570,662)</u>	<u>(3,001,260)</u>	<u>(1,542,381)</u>
3,977,615	-	6,423,825	-	10,562,508
-	-	-	3,481,801	3,481,801
-	(6,323,087)	-	-	(6,323,087)
<u>3,977,615</u>	<u>(6,323,087)</u>	<u>6,423,825</u>	<u>3,481,801</u>	<u>7,721,222</u>
1,232,326	1,300,393	2,853,163	480,541	6,178,841
1,885,598	21,552,843	22,149,465	9,377,214	57,418,572
<u>\$ 3,117,924</u>	<u>\$ 22,853,236</u>	<u>\$ 25,002,628</u>	<u>\$ 9,857,755</u>	<u>\$ 63,597,413</u>

IRVINE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule 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 amounts consist of Child Development: Federal General Child Care, Center Based funds that have been recorded in the current period as revenues but have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 16,157,307
Child Development: Federal General Child Care, Center Based	93.596	<u>(89,150)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 16,068,157</u></u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

IRVINE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

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 is 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



**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***

Governing Board
Irvine Unified School District
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Irvine Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 9, 2019.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 9, 2019



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

Governing Board
Irvine Unified School District
Irvine, California

Report on Compliance for Each Major Federal Program

We have audited Irvine Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The 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 the 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 the 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 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 compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the 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 the 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 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.



Rancho Cucamonga, California
December 9, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Irvine Unified School District
Irvine, California

Report on State Compliance

We have audited Irvine Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
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
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	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	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

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.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

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

Ede Sully LLP

Rancho Cucamonga, California
December 9, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

IRVINE UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

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

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

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

IRVINE UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

IRVINE UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

IRVINE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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 Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.



Management
Irvine Unified School District
Irvine, California

In planning and performing our audit of the financial statements of Irvine Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2019, on the financial statements of Irvine Unified School District.

Associated Student Body (ASB)

Plaza Vista K-8 School

Observation

During our review over cash collection procedures, it was noted that supporting documentation was unavailable for one of the deposits that was tested.

Recommendation

Due to the high risk of cash, supporting documentation should be maintained for all funds deposited into the ASB bank accounts.

Associated Student Body (ASB)

Northwood High School

Observation

During our review over cash disbursement procedures, it was noted that two transactions tested did not appear to have all of the required approvals.

During our review of the bank reconciliation process, we noted that the reconciliations were not prepared in a timely manner. The November 2018 bank reconciliations were not prepared until the middle of January 2019.

During our review of the cash handling procedures, we noted two cash receipts not being deposited into the bank account timely and two cash receipts that do not appear to have been double counted prior to deposit.

Recommendation

Disbursements made from ASB funds must be approved prior to incurring the expense and issuance of the check. Also, individuals should not be approving their own reimbursements. ASB disbursements require the approval of three individuals in order to be processed.

Bank reconciliations should be performed as close to the date of receipt of the bank statement as possible. The site should establish a deadline each month for completion of the bank reconciliation to ensure accuracy and timeliness of the accounting records of the ASB.

Due to the high risk of cash, the site should implement processes and procedures to better facilitate the handling and recording of cash transactions. Two people should be involved in all cash counts and deposits should be made into the ASB bank account in a timely manner.

Associated Student Body (ASB)

Portola High School

Observation

During our review of the bank reconciliation process, we noted that the reconciliations were not prepared in a timely manner. The September 2018 bank reconciliations were not prepared until the middle of January 2019.

During our review of the cash handling procedures, we noted cash receipts do not appear to have been double counted prior to deposit.

Recommendation

Bank reconciliations should be performed as close to the date of receipt of the bank statement as possible. The site should establish a deadline each month for completion of the bank reconciliation to ensure accuracy and timeliness of the accounting records of the ASB.

Due to the high risk of cash, the site should implement processes and procedures to better facilitate the handling and recording of cash transactions. Two people should be involved in all cash counts.

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



Rancho Cucamonga, California
December 9, 2019