

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2021**

Saddleback Valley
Unified School District



SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
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JUNE 30, 2021

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Saddleback Valley Unified School District
Mission Viejo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Saddleback Valley Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Saddleback Valley Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 and Note 17 to the basic financial statements, the Saddleback Valley Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of changes in OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saddleback Valley Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 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 January 11, 2022 on our consideration of Saddleback Valley Unified School 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 Saddleback Valley Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saddleback Valley Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 11, 2022

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

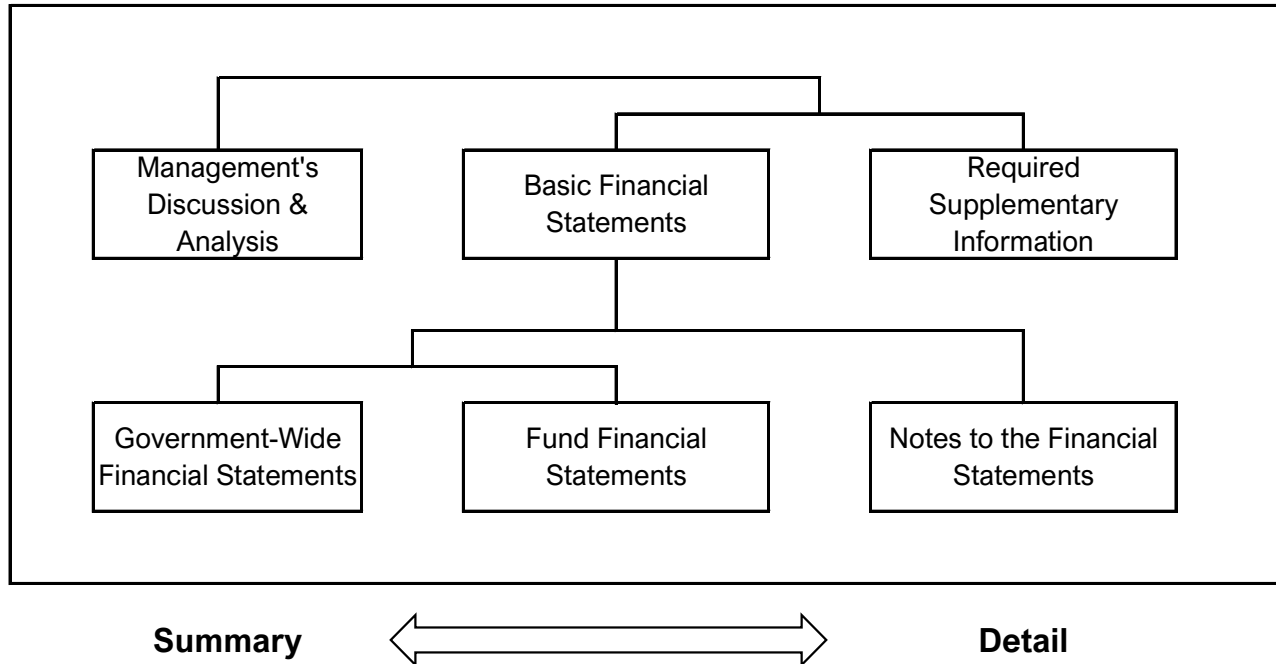
Our discussion and analysis of Saddleback Valley Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's combined net position was \$26,058,116 at June 30, 2021. This was an aggregate decrease of \$12,609,028 from the prior year after restatement. The District's net position is comprised of \$27,607,457 related to governmental activities and \$(1,549,341) related to business-type activities.
- ▶ Total revenues related to governmental activities were \$361,998,385 which were exceeded by expenses of \$374,397,802. After combining this activity with the internal transfers that occurred during the year, there was a decrease of \$12,508,040 in net position related to governmental activities.
- ▶ Total revenues related to business-type activities were \$1,063,393 which were exceeded by expenses of \$1,273,004. After combining this activity with the internal transfers that occurred during the year, there was a decrease of \$100,988 in net position related to business-type activities.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$26,058,116 at June 30, 2021, as reflected in the table below. Of this amount, \$283,533,343 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

| | Governmental Activities | | | Business-Type Activities | | |
|---------------------------------------|-------------------------|----------------------|-----------------------|--------------------------|-----------------------|---------------------|
| | 2021 | 2020 | Net Change | 2021 | 2020 | Net Change |
| ASSETS | | | | | | |
| Current and other assets | \$ 195,524,925 | \$ 158,793,973 | \$ 36,730,952 | \$ 434,583 | \$ 43,810 | \$ 390,773 |
| Capital assets | 339,969,282 | 357,396,991 | (17,427,709) | 21,769 | 25,545 | (3,776) |
| Total Assets | 535,494,207 | 516,190,964 | 19,303,243 | 456,352 | 69,355 | 386,997 |
| DEFERRED OUTFLOWS OF RESOURCES | 103,997,517 | 84,883,385 | 19,114,132 | 436,963 | 433,439 | 3,524 |
| LIABILITIES | | | | | | |
| Current liabilities | 38,641,586 | 29,096,735 | 9,544,851 | 451,277 | 64,280 | 386,997 |
| Long-term liabilities | 550,177,147 | 502,729,892 | 47,447,255 | 1,920,718 | 1,792,926 | 127,792 |
| Total Liabilities | 588,818,733 | 531,826,627 | 56,992,106 | 2,371,995 | 1,857,206 | 514,789 |
| DEFERRED INFLOWS OF RESOURCES | 23,065,534 | 31,717,306 | (8,651,772) | 70,661 | 93,941 | (23,280) |
| NET POSITION | | | | | | |
| Net investment in capital assets | 236,056,453 | 245,058,080 | (9,001,627) | 21,769 | 25,545 | (3,776) |
| Restricted | 73,513,237 | 38,384,552 | 35,128,685 | - | - | - |
| Unrestricted | (281,962,233) | (245,912,216) | (36,050,017) | (1,571,110) | (1,473,898) | (97,212) |
| Total Net Position | \$ 27,607,457 | \$ 37,530,416 | \$ (9,922,959) | \$ (1,549,341) | \$ (1,448,353) | \$ (100,988) |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it, so you can see our total revenues, expenses, transfers, and special items for the year.

| | Governmental Activities | | | Business-Type Activities | | |
|---|-------------------------|----------------------|-----------------------|--------------------------|-----------------------|---------------------|
| | 2021 | 2020 | Net Change | 2021 | 2020 | Net Change |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 5,053,672 | \$ 6,622,851 | \$ (1,569,179) | \$ - | \$ 2,056,983 | \$ (2,056,983) |
| Operating grants and contributions | 81,059,463 | 43,944,720 | 37,114,743 | 22,770 | 19,754 | 3,016 |
| Capital grants and contributions | 12,122,714 | 4,775 | 12,117,939 | - | - | - |
| General revenues | | | | | | |
| Property taxes | 221,063,836 | 209,705,283 | 11,358,553 | - | - | - |
| Unrestricted federal and state aid | 38,971,144 | 56,010,888 | (17,039,744) | - | - | - |
| Other | 3,727,556 | 12,081,870 | (8,354,314) | 1,040,623 | 928,638 | 111,985 |
| Total Revenues | 361,998,385 | 328,370,387 | 33,627,998 | 1,063,393 | 3,005,375 | (1,941,982) |
| EXPENSES | | | | | | |
| Instruction | 219,569,228 | 201,328,765 | 18,240,463 | - | - | - |
| Instruction-related services | 35,921,159 | 32,309,668 | 3,611,491 | - | - | - |
| Pupil services | 29,576,599 | 27,329,718 | 2,246,881 | - | - | - |
| General administration | 17,091,491 | 12,625,600 | 4,465,891 | - | - | - |
| Plant services | 26,940,969 | 29,508,988 | (2,568,019) | - | - | - |
| Ancillary and community services | 14,526,302 | 12,954,353 | 1,571,949 | - | - | - |
| Debt service | 2,561,213 | 2,896,301 | (335,088) | - | - | - |
| Other outgo | 8,232,402 | 9,272,475 | (1,040,073) | - | - | - |
| Depreciation | 19,931,558 | 19,626,385 | 305,173 | - | - | - |
| Other | 46,881 | 80,903 | (34,022) | 1,273,004 | 3,276,122 | (2,003,118) |
| Total Expenses | 374,397,802 | 347,933,156 | 26,464,646 | 1,273,004 | 3,276,122 | (2,003,118) |
| Transfers & special items | (108,623) | (79,578) | (29,045) | 108,623 | 79,578 | 29,045 |
| Change in net position | (12,508,040) | (19,642,347) | 7,134,307 | (100,988) | (191,169) | 90,181 |
| Net Position - Beginning, as Restated* | 40,115,497 | 57,172,763 | (17,057,266) | (1,448,353) | (1,257,184) | (191,169) |
| Net Position - Ending | \$ 27,607,457 | \$ 37,530,416 | \$ (9,922,959) | \$ (1,549,341) | \$ (1,448,353) | \$ (100,988) |

*Beginning net position of governmental activities was restated for the 2021 year only.

The cost of all our governmental activities this year was \$374,397,802 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$221,063,836 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions. The District's business-type activities experienced a decrease in net position of \$100,988 during the year ended June 30, 2021.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District’s functions. 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.

| | Net Cost of Services | |
|----------------------------------|-----------------------------|-----------------------|
| | 2021 | 2020 |
| Instruction | \$ 154,530,429 | \$ 171,629,386 |
| Instruction-related services | 31,353,769 | 28,958,871 |
| Pupil services | 20,215,145 | 20,465,585 |
| General administration | 14,618,342 | 10,442,815 |
| Plant services | 25,913,307 | 25,717,164 |
| Ancillary and community services | 8,426,042 | 12,666,113 |
| Debt service | 2,561,213 | 2,896,301 |
| Transfers to other agencies | (1,423,674) | 4,877,287 |
| Depreciation | 19,931,558 | 19,626,385 |
| Enterprise activities | 35,822 | 80,903 |
| Total | \$ 276,161,953 | \$ 297,360,810 |

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$146,357,995, which is more than this year’s restated beginning fund balance of \$118,646,967. The District’s General Fund had \$7,244,009 more in operating revenues than expenditures for the year ended June 30, 2021. The District’s Special Reserve Fund for Capital Outlay Projects experienced a net increase in fund balance of \$17,556,544 primarily due to a transfer received from the County School Facilities Fund in the amount of \$12,117,957.

CURRENT YEAR BUDGET 2020-2021

The Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021 the District had invested a total of \$339,991,051 in capital assets, net of accumulated depreciation.

| | Governmental Activities | | | Business-Type Activities | | |
|-----------------------------|-------------------------|-----------------------|------------------------|--------------------------|------------------|-------------------|
| | 2021 | 2020 | Net Change | 2021 | 2020 | Net Change |
| CAPITAL ASSETS | | | | | | |
| Land | \$ 39,487,653 | \$ 39,487,653 | \$ - | \$ - | \$ - | \$ - |
| Construction in progress | 8,042,074 | 6,291,417 | 1,750,657 | - | - | - |
| Land improvements | 61,394,911 | 60,979,474 | 415,437 | 500,000 | 500,000 | - |
| Buildings & improvements | 512,834,891 | 512,893,931 | (59,040) | 8,620 | 8,620 | - |
| Furniture & equipment | 31,449,239 | 31,153,053 | 296,186 | 74,625 | 74,625 | - |
| Accumulated depreciation | (313,239,486) | (293,408,537) | (19,830,949) | (561,476) | (557,700) | (3,776) |
| Total Capital Assets | \$ 339,969,282 | \$ 357,396,991 | \$ (17,427,709) | \$ 21,769 | \$ 25,545 | \$ (3,776) |

Long-Term Liabilities

At year-end, the District had a total of \$552,097,865 in long-term liabilities, an increase of 9.43% from last year – as shown in the table below. More detailed information about the District’s long-term liabilities is presented in Note 8 to the basic financial statements.

| | Governmental Activities | | | Business-Type Activities | | |
|--|-------------------------|-----------------------|----------------------|--------------------------|---------------------|-------------------|
| | 2021 | 2020 | Net Change | 2021 | 2020 | Net Change |
| LONG-TERM LIABILITIES | | | | | | |
| Total general obligation bonds | \$ 106,121,351 | \$ 114,784,126 | \$ (8,662,775) | \$ - | \$ - | \$ - |
| Compensated absences | 1,330,197 | 1,433,248 | (103,051) | - | - | - |
| Net OPEB liability | 108,567,676 | 94,688,580 | 13,879,096 | - | - | - |
| Net pension liability | 333,737,105 | 289,575,572 | 44,161,533 | 1,920,718 | 1,792,926 | 127,792 |
| Claims liability | 9,228,593 | 10,911,141 | (1,682,548) | - | - | - |
| Less: current portion of long-term liabilities | (8,807,775) | (8,662,775) | (145,000) | - | - | - |
| Total Long-term Liabilities | \$ 550,177,147 | \$ 502,729,892 | \$ 47,447,255 | \$ 1,920,718 | \$ 1,792,926 | \$ 127,792 |

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its March 2021 and June 2021 quarterly reports, the UCLA Anderson Forecast anticipated a robust recovery from the COVID-19–induced recession that began in March 2020. However, in its September 2021 quarterly report, hopes for blockbuster economic growth have been tempered by the spread of the COVID-19 delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth. The economy is currently down 5.3 million payroll jobs from its pre-COVID peak, and there is little evidence to suggest that the expiration of enhanced unemployment benefits will lead to a surge in job applications.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom’s “California Comeback Plan” includes a mix of ongoing and one-time investments of \$100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom’s “California Comeback Plan” includes a mix of ongoing and one-time investments of \$100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

Landmark legislation passed in year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low-income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and (4) meeting annual compliance and audit requirements.

The May 2021 Budget Revision provides additional funding to further reduce the funding deferrals that were included in the 2020-21 Enacted Budget. The Governor’s Budget in January proposed paying down \$9.2 billion of the K–12 deferrals. The May 2021 Budget Revision proposes paying down an additional \$1.1 billion, leaving a balance of \$2.6 billion at the end of the 2021–22 fiscal year.

The District participates in state employee pensions plans, California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) and both are underfunded. The District’s proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2021. The amount of the liability is material to the financial position of the District. Beginning in 2021-22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually (not to exceed 20.25% of creditable compensation). The CalSTRS employer contribution rate for 2021-22 is 16.92%. The CalPERS Board adopted an employer contribution rate of 22.91% for 2021-22. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District’s budget for the 2021-22 fiscal year.

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 of Human Resources & Fiscal Services at the District’s Office, 25631 Peter A. Hartman Way, Mission Viejo, CA 92691 or (949) 586-1234.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 161,724,862 | \$ 80,068 | \$ 161,804,930 |
| Accounts receivable | 25,216,168 | 196,088 | 25,412,256 |
| Internal balances | (158,427) | 158,427 | - |
| Inventory | 355,488 | - | 355,488 |
| Prepaid expenses | 8,386,834 | - | 8,386,834 |
| Capital assets, not depreciated | 47,529,727 | - | 47,529,727 |
| Capital assets, net of accumulated depreciation | 292,439,555 | 21,769 | 292,461,324 |
| Total Assets | 535,494,207 | 456,352 | 535,950,559 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 85,077,907 | 436,963 | 85,514,870 |
| Deferred outflows related to OPEB | 16,711,088 | - | 16,711,088 |
| Deferred amount on refunding | 2,208,522 | - | 2,208,522 |
| Total Deferred Outflows of Resources | 103,997,517 | 436,963 | 104,434,480 |
| LIABILITIES | | | |
| Accrued liabilities | 22,751,407 | 186,791 | 22,938,198 |
| Unearned revenue | 7,082,404 | 264,486 | 7,346,890 |
| Long-term liabilities, current portion | 8,807,775 | - | 8,807,775 |
| Long-term liabilities, non-current portion | 550,177,147 | 1,920,718 | 552,097,865 |
| Total Liabilities | 588,818,733 | 2,371,995 | 591,190,728 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 20,093,975 | 70,661 | 20,164,636 |
| Deferred inflows related to OPEB | 2,971,559 | - | 2,971,559 |
| Total Deferred Inflows of Resources | 23,065,534 | 70,661 | 23,136,195 |
| NET POSITION | | | |
| Net investment in capital assets | 236,056,453 | 21,769 | 236,078,222 |
| Restricted: | | | |
| Capital projects | 45,869,163 | - | 45,869,163 |
| Debt service | 8,676,370 | - | 8,676,370 |
| Educational programs | 15,834,923 | - | 15,834,923 |
| Food service | 641,221 | - | 641,221 |
| Associated student body | 2,491,560 | - | 2,491,560 |
| Unrestricted | (281,962,233) | (1,571,110) | (283,533,343) |
| Total Net Position | \$ 27,607,457 | \$ (1,549,341) | \$ 26,058,116 |

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| Function/Programs | Expenses | Program Revenues | | | Governmental Activities | Net (Expenses) Revenues and Changes in Net Position | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|---|-------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | Business-Type Activities | Total |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| Instruction | \$ 219,569,228 | \$ 219,500 | \$ 52,696,585 | \$ 12,122,714 | \$ (154,530,429) | | |
| Instruction-related services | | | | | | | |
| Instructional supervision and administration | 11,326,270 | 7,579 | 3,073,837 | - | (8,244,854) | | |
| Instructional library, media, and technology | 4,108,795 | 3,217 | 225,302 | - | (3,880,276) | | |
| School site administration | 20,486,094 | 47,022 | 1,210,433 | - | (19,228,639) | | |
| Pupil services | | | | | | | |
| Home-to-school transportation | 4,180,652 | - | 5,425 | - | (4,175,227) | | |
| Food services | 6,037,493 | 12,554 | 6,935,118 | - | 910,179 | | |
| All other pupil services | 19,358,454 | 3,974 | 2,404,383 | - | (16,950,097) | | |
| General administration | | | | | | | |
| Centralized data processing | 4,564,499 | - | - | - | (4,564,499) | | |
| All other general administration | 12,526,992 | 43,876 | 2,429,273 | - | (10,053,843) | | |
| Plant services | 26,940,969 | 363,120 | 664,542 | - | (25,913,307) | | |
| Ancillary services | 7,346,659 | 85,448 | 5,219,396 | - | (2,041,815) | | |
| Community services | 7,179,643 | 186,258 | 609,158 | - | (6,384,227) | | |
| Enterprise activities | 46,881 | - | 11,059 | - | (35,822) | | |
| Interest on long-term debt | 2,561,213 | - | - | - | (2,561,213) | | |
| Other outgo | 8,232,402 | 4,081,124 | 5,574,952 | - | 1,423,674 | | |
| Depreciation (unallocated) | 19,931,558 | - | - | - | (19,931,558) | | |
| Total Governmental Activities | \$ 374,397,802 | \$ 5,053,672 | \$ 81,059,463 | \$ 12,122,714 | (276,161,953) | | |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Enterprise activities | 1,273,004 | - | 22,770 | - | \$ (1,250,234) | | |
| Total Business-Type Activities | 1,273,004 | - | 22,770 | - | (1,250,234) | | |
| Total School District | \$ 375,670,806 | \$ 5,053,672 | \$ 81,082,233 | \$ 12,122,714 | | | \$ (277,412,187) |
| General revenues | | | | | | | |
| Taxes and subventions | | | | | | | |
| Property taxes, levied for general purposes | | | | | 206,669,007 | - | 206,669,007 |
| Property taxes, levied for debt service | | | | | 11,437,786 | - | 11,437,786 |
| Property taxes, levied for other specific purposes | | | | | 2,957,043 | - | 2,957,043 |
| Federal and state aid not restricted for specific purposes | | | | | 38,971,144 | - | 38,971,144 |
| Interest and investment earnings | | | | | 786,110 | 879 | 786,989 |
| Interagency revenues | | | | | 376,962 | - | 376,962 |
| Miscellaneous | | | | | 2,564,484 | 1,039,744 | 3,604,228 |
| Subtotal, General Revenue | | | | | 263,762,536 | 1,040,623 | 264,803,159 |
| Change in net position before transfers & special items | | | | | (12,399,417) | (209,611) | (12,609,028) |
| Internal transfers | | | | | (108,623) | 108,623 | - |
| Total Transfers & Special Items | | | | | (108,623) | 108,623 | - |
| CHANGE IN NET POSITION | | | | | (12,508,040) | (100,988) | (12,609,028) |
| Net Position - Beginning, as Restated | | | | | 40,115,497 | (1,448,353) | 38,667,144 |
| Net Position - Ending | | | | | \$ 27,607,457 | \$ (1,549,341) | \$ 26,058,116 |

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|-----------------------|--|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 81,567,232 | \$ 29,683,111 | \$ 29,899,863 | \$ 141,150,206 |
| Accounts receivable | 23,430,907 | 13,889 | 1,356,038 | 24,800,834 |
| Due from other funds | 517,361 | - | 1,489,398 | 2,006,759 |
| Stores inventory | 247,877 | - | 107,611 | 355,488 |
| Prepaid expenditures | 8,329,638 | 57,196 | - | 8,386,834 |
| Total Assets | \$ 114,093,015 | \$ 29,754,196 | \$ 32,852,910 | \$ 176,700,121 |
| LIABILITIES | | | | |
| Accrued liabilities | \$ 17,967,116 | \$ 151,161 | \$ 2,261,597 | \$ 20,379,874 |
| Due to other funds | 2,444,000 | - | 435,848 | 2,879,848 |
| Unearned revenue | 6,542,830 | - | 539,574 | 7,082,404 |
| Total Liabilities | 26,953,946 | 151,161 | 3,237,019 | 30,342,126 |
| FUND BALANCES | | | | |
| Nonspendable | 8,697,515 | 57,196 | 107,611 | 8,862,322 |
| Restricted | 15,834,923 | 29,545,839 | 29,508,280 | 74,889,042 |
| Assigned | 34,275,468 | - | - | 34,275,468 |
| Unassigned | 28,331,163 | - | - | 28,331,163 |
| Total Fund Balances | 87,139,069 | 29,603,035 | 29,615,891 | 146,357,995 |
| Total Liabilities and Fund Balances | \$ 114,093,015 | \$ 29,754,196 | \$ 32,852,910 | \$ 176,700,121 |

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2021**

Total Fund Balance - Governmental Funds \$ 146,357,995

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

Capital assets:

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

| | | |
|--------------------------|----------------------|-------------|
| Capital assets | \$ 653,208,768 | |
| Accumulated depreciation | <u>(313,239,486)</u> | 339,969,282 |

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

2,208,522

Unmatured interest on long-term debt:

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

(1,375,805)

Long-term liabilities:

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

| | | |
|--------------------------------|--------------------|---------------|
| Total general obligation bonds | \$ 106,121,351 | |
| Compensated absences | 1,330,197 | |
| Net OPEB liability | 108,567,676 | |
| Net pension liability | <u>333,737,105</u> | (549,756,329) |

Deferred outflows and inflows of resources relating to pensions:

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

| | | |
|--|---------------------|------------|
| Deferred outflows of resources related to pensions | \$ 85,077,907 | |
| Deferred inflows of resources related to pensions | <u>(20,093,975)</u> | 64,983,932 |

(continued on the following page)

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION, continued
JUNE 30, 2021**

Deferred outflows and inflows of resources relating to OPEB:

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

| | | |
|--|--------------------|------------|
| Deferred outflows of resources related to OPEB | \$ 16,711,088 | |
| Deferred inflows of resources related to OPEB | <u>(2,971,559)</u> | 13,739,529 |

Internal service funds:

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

11,480,331

Total Net Position - Governmental Activities

\$ 27,607,457

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|--|------------------------------------|--------------------------------|
| REVENUES | | | | |
| LCFF sources | \$ 239,743,715 | \$ - | \$ - | \$ 239,743,715 |
| Federal sources | 20,402,148 | - | 7,051,456 | 27,453,604 |
| Other state sources | 54,599,004 | - | 14,594,203 | 69,193,207 |
| Other local sources | 4,580,455 | 6,083,731 | 25,338,279 | 36,002,465 |
| Total Revenues | 319,325,322 | 6,083,731 | 46,983,938 | 372,392,991 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 207,798,262 | - | - | 207,798,262 |
| Instruction-related services | | | | |
| Instructional supervision and administration | 10,584,562 | - | - | 10,584,562 |
| Instructional library, media, and technology | 3,635,615 | - | - | 3,635,615 |
| School site administration | 18,886,550 | - | - | 18,886,550 |
| Pupil services | | | | |
| Home-to-school transportation | 4,161,474 | - | - | 4,161,474 |
| Food services | - | - | 5,576,452 | 5,576,452 |
| All other pupil services | 17,951,373 | - | - | 17,951,373 |
| General administration | | | | |
| Centralized data processing | 4,202,603 | - | - | 4,202,603 |
| All other general administration | 11,212,181 | - | 412,440 | 11,624,621 |
| Plant services | 24,652,102 | - | 19,962 | 24,672,064 |
| Facilities acquisition and maintenance | 560,753 | 674,954 | 1,339,460 | 2,575,167 |
| Ancillary services | 2,115,387 | - | 5,214,607 | 7,329,994 |
| Community services | 462,045 | - | 5,758,703 | 6,220,748 |
| Transfers to other agencies | 5,858,406 | - | 2,373,996 | 8,232,402 |
| Debt service | | | | |
| Principal | - | - | 7,680,000 | 7,680,000 |
| Interest and other | - | - | 3,441,453 | 3,441,453 |
| Total Expenditures | 312,081,313 | 674,954 | 31,817,073 | 344,573,340 |
| Excess (Deficiency) of Revenues Over Expenditures | 7,244,009 | 5,408,777 | 15,166,865 | 27,819,651 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 12,147,767 | 502,219 | 12,649,986 |
| Transfers out | (640,652) | - | (12,117,957) | (12,758,609) |
| Net Financing Sources (Uses) | (640,652) | 12,147,767 | (11,615,738) | (108,623) |
| NET CHANGE IN FUND BALANCE | 6,603,357 | 17,556,544 | 3,551,127 | 27,711,028 |
| Fund Balance - Beginning, as Restated | 80,535,712 | 12,046,491 | 26,064,764 | 118,646,967 |
| Fund Balance - Ending | \$ 87,139,069 | \$ 29,603,035 | \$ 29,615,891 | \$ 146,357,995 |

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

**SADDLEBACK VALLEY 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, 2021**

Net Change in Fund Balances - Governmental Funds \$ 27,711,028

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

| | | | |
|----------------------------------|----|--------------|--------------|
| Expenditures for capital outlay: | \$ | 2,503,849 | |
| Depreciation expense: | | (19,931,558) | (17,427,709) |

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

7,680,000

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(236,693)

Unmatured interest on long-term debt:

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

134,158

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

103,051

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(8,714,830)

(continued on the following page)

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2021**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (21,323,202)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 982,775

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (1,416,618)

Change in Net Position of Governmental Activities \$ (12,508,040)

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021**

| | Business-Type Activities Community Services Fund | Governmental Activities Self-Insurance Fund |
|---|---|--|
| ASSETS | | |
| Current assets | | |
| Cash and investments | \$ 80,068 | \$ 20,574,656 |
| Accounts receivable | 196,088 | 415,334 |
| Due from other funds | 190,717 | 784,101 |
| Total current assets | 466,873 | 21,774,091 |
| Non-current assets | | |
| Capital assets, net of accumulated depreciation | 21,769 | - |
| Total non-current assets | 21,769 | - |
| Total Assets | 488,642 | 21,774,091 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions | 436,963 | - |
| Total Deferred Outflows of Resources | 436,963 | - |
| LIABILITIES | | |
| Current liabilities | | |
| Accrued liabilities | 186,791 | 995,728 |
| Due to other funds | 32,290 | 69,439 |
| Unearned revenue | 264,486 | - |
| Total current liabilities | 483,567 | 1,065,167 |
| Non-current liabilities | | |
| Claims liability | - | 9,228,593 |
| Net pension liability | 1,920,718 | - |
| Total non-current liabilities | 1,920,718 | 9,228,593 |
| Total Liabilities | 2,404,285 | 10,293,760 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions | 70,661 | - |
| Total Deferred Inflows of Resources | 70,661 | - |
| NET POSITION | | |
| Net investment in capital assets | 21,769 | - |
| Restricted | - | 11,480,331 |
| Unrestricted | (1,571,110) | - |
| Total Net Position | \$ (1,549,341) | \$ 11,480,331 |

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021**

| | Business-Type Activities | Governmental Activities |
|--|-------------------------------------|------------------------------------|
| | Community Services Fund | Self-Insurance Fund |
| OPERATING REVENUES | | |
| Charges for services | \$ 548,334 | \$ 48,131,190 |
| Other local revenues | 514,180 | 472,104 |
| Total operating revenues | <u>1,062,514</u> | <u>48,603,294</u> |
| OPERATING EXPENSES | | |
| Salaries and benefits | 1,132,605 | 350,656 |
| Supplies and materials | 18,283 | 659 |
| Professional services | 118,340 | 49,794,083 |
| Depreciation | 3,776 | - |
| Total operating expenses | <u>1,273,004</u> | <u>50,145,398</u> |
| Operating income/(loss) | <u>(210,490)</u> | <u>(1,542,104)</u> |
| NON-OPERATING REVENUES/(EXPENSES) | | |
| Interest income | 879 | 125,486 |
| Transfers in | 108,623 | - |
| Total non-operating revenues/(expenses) | <u>109,502</u> | <u>125,486</u> |
| CHANGE IN NET POSITION | (100,988) | (1,416,618) |
| Net Position - Beginning | <u>(1,448,353)</u> | <u>12,896,949</u> |
| Net Position - Ending | <u>\$ (1,549,341)</u> | <u>\$ 11,480,331</u> |

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021**

| | Business-Type Activities | Governmental Activities |
|---|-------------------------------------|------------------------------------|
| | Community Services Fund | Self-Insurance Fund |
| Cash flows from operating activities | | |
| Cash received from user charges | \$ 548,334 | \$ 48,131,190 |
| Cash received (paid) from assessments made to (from) other funds | 540,616 | 15,693 |
| Cash payments for payroll, insurance, and operating costs | (1,242,454) | (52,451,672) |
| Net cash provided by (used for) operating activities | <u>(153,504)</u> | <u>(4,304,789)</u> |
| Cash flows from non-capital financing activities | | |
| Interfund transfers in (out) | 108,623 | - |
| Net cash provided by (used for) non-capital financing activities | <u>108,623</u> | <u>-</u> |
| Cash flows from investing activities | | |
| Interest received | 879 | 125,486 |
| Net cash provided by (used for) investing activities | <u>879</u> | <u>125,486</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>(44,002)</u> | <u>(4,179,303)</u> |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 124,070 | 24,753,959 |
| End of year | <u>\$ 80,068</u> | <u>\$ 20,574,656</u> |
| Reconciliation of operating income (loss) to cash provided by (used for) operating activities | | |
| Operating income/(loss) | \$ (210,490) | \$ (1,542,104) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 3,776 | - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivables | (47,118) | (110,225) |
| (Increase) decrease in due from other funds | (190,717) | (346,186) |
| (Increase) decrease in deferred outflows related to pensions | (3,524) | - |
| Increase (decrease) in accrued liabilities | 122,726 | 35,170 |
| Increase (decrease) in due to other funds | (196,940) | (658,896) |
| Increase (decrease) in unearned revenue | 264,271 | - |
| Increase (decrease) in net pension liability | 127,792 | - |
| Increase (decrease) in deferred inflows related to pensions | (23,280) | - |
| Net cash provided by (used for) operating activities | <u>\$ (153,504)</u> | <u>\$ (4,304,789)</u> |

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

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Saddleback Valley Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. 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, as amended by GASBS No. 39, *Determining Whether Certain Organizations Are Component Units*, GASBS No. 61, *The Financial Reporting Entity: Omnibus*, and GASBS No. 80, *Blending Requirements for Certain Component Units*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Saddleback Valley Unified School District Public Financing Authority (the Authority) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Authority was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of 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.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-Local Education Agency (LEA) Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

Special Revenue Funds (continued):

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This 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), or the 2004 State School Facilities Fund (Proposition 55) 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.*).

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

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Community Services Fund: The only enterprise fund of the District accounts for the financial transactions related to the community services program of the District.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

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

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the 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 balance sheet and revenue is recognized.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Life</u> |
|------------------------------------|------------------------------|
| Buildings and Improvements | 20 - 50 years |
| Furniture, Equipment, and Vehicles | 5 - 20 years |

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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 funds.

Postemployment Benefits Other Than Pensions (OPEB) – MPP Program

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, 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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB) – District Plan

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|------------------------------|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 - June 30, 2020 |

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. 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.

H. Budgetary Data

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

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

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard’s primary objectives 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. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard’s primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard’s primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

| | Governmental Funds | Self-Insurance Fund | Governmental Activities | Business-Type Activities |
|-------------------------------|-----------------------|------------------------|----------------------------|-----------------------------|
| Investment in county treasury | \$ 138,408,464 | \$ 18,424,656 | \$ 156,833,120 | \$ 78,068 |
| Cash on hand and in banks | 2,497,560 | 2,150,000 | 4,647,560 | 2,000 |
| Cash in revolving fund | 244,182 | - | 244,182 | - |
| Total | \$ 141,150,206 | \$ 20,574,656 | \$ 161,724,862 | \$ 80,068 |

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Orange County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$157,226,946 and an amortized book value of \$156,911,188. The average weighted maturity for this pool is 375 days.

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were rated AAAM.

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, \$1,060,054 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

The District's fair value measurements at June 30, 2021 were as follows:

| | |
|-------------------------------|-----------------------|
| | Uncategorized |
| Investment in county treasury | \$ 157,226,946 |
| Total | \$ 157,226,946 |

NOTE 3 – ACCOUNTS RECEIVABLE

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

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Self-Insurance Fund | Governmental Activities | Business-Type Activities |
|---------------------|----------------------|--|------------------------------------|------------------------|----------------------------|-----------------------------|
| Federal Government | | | | | | |
| Categorical aid | \$ 7,879,668 | \$ - | \$ 1,082,835 | \$ - | \$ 8,962,503 | \$ - |
| State Government | | | | | | |
| Apportionment | 4,752,842 | - | - | - | 4,752,842 | - |
| Categorical aid | 7,996,364 | - | 90,512 | - | 8,086,876 | - |
| Lottery | 1,746,089 | - | - | - | 1,746,089 | - |
| Local Government | | | | | | |
| Other local sources | 1,055,944 | 13,889 | 182,691 | 415,334 | 1,667,858 | 196,088 |
| Total | \$ 23,430,907 | \$ 13,889 | \$ 1,356,038 | \$ 415,334 | \$ 25,216,168 | \$ 196,088 |

NOTE 4 – CAPITAL ASSETS

Capital asset activity related to governmental activities for the year ended June 30, 2021 was as follows:

| | Balance July 01, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|--------------------------|------------------------|-------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 39,487,653 | \$ - | \$ - | \$ 39,487,653 |
| Construction in progress | 6,291,417 | 1,918,657 | 168,000 | 8,042,074 |
| Total Capital Assets not Being Depreciated | 45,779,070 | 1,918,657 | 168,000 | 47,529,727 |
| Capital assets being depreciated | | | | |
| Land improvements | 60,979,474 | 415,437 | - | 61,394,911 |
| Buildings & improvements | 512,893,931 | 359,338 | 418,378 | 512,834,891 |
| Furniture & equipment | 31,153,053 | 396,795 | 100,609 | 31,449,239 |
| Total Capital Assets Being Depreciated | 605,026,458 | 1,171,570 | 518,987 | 605,679,041 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 35,711,130 | 2,631,221 | - | 38,342,351 |
| Buildings & improvements | 232,447,137 | 16,093,052 | - | 248,540,189 |
| Furniture & equipment | 25,250,270 | 1,207,285 | 100,609 | 26,356,946 |
| Total Accumulated Depreciation | 293,408,537 | 19,931,558 | 100,609 | 313,239,486 |
| Governmental Activities | | | | |
| Capital Assets, net | \$ 357,396,991 | \$ (16,841,331) | \$ 586,378 | \$ 339,969,282 |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 4 – CAPITAL ASSETS (continued)

Capital asset activity related to business-type activities for the year ended June 30, 2021 was as follows:

| | Balance July 01, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|--------------------------|-------------------|-------------|--------------------------|
| Business-Type Activities | | | | |
| Capital assets being depreciated | | | | |
| Land improvements | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| Buildings & improvements | 8,620 | - | - | 8,620 |
| Furniture & equipment | 74,625 | - | - | 74,625 |
| Total Capital Assets Being Depreciated | 583,245 | - | - | 583,245 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 500,000 | - | - | 500,000 |
| Buildings & improvements | 4,214 | 288 | - | 4,502 |
| Furniture & equipment | 53,486 | 3,488 | - | 56,974 |
| Total Accumulated Depreciation | 557,700 | 3,776 | - | 561,476 |
| Business-Type Activities | | | | |
| Capital Assets, net | \$ 25,545 | \$ (3,776) | \$ - | \$ 21,769 |

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2021 were as follows:

| Due To Other Funds | Due From Other Funds | | | | Total |
|------------------------------|----------------------|------------------------------------|------------------------|----------------------------|---------------------|
| | General Fund | Non-Major Governmental Funds | Self-Insurance Fund | Community Services Fund | |
| General Fund | - | \$ 1,489,398 | \$ 763,885 | \$ 190,717 | \$ 2,444,000 |
| Non-Major Governmental Funds | 417,583 | - | - | - | 417,583 |
| Community Services Fund | 30,339 | - | 1,951 | - | 32,290 |
| Self-Insurance Fund | 69,439 | - | - | - | 69,439 |
| Total | \$ 517,361 | \$ 1,489,398 | \$ 784,101 | \$ 190,717 | \$ 2,981,577 |

| | |
|--|---------------------|
| Due from the General Fund to the Special Education Pass-Through Fund to move special education funding. | \$ 976,926 |
| Due from the General Fund to the Child Development Fund for contribution to child care program services. | 502,219 |
| Due from the General Fund to the Cafeteria Fund for bad debt expense. | 10,253 |
| Due from the General Fund to the Self-Insurance Fund for contributions to OPEB and workers' compensation. | 763,885 |
| Due from the General Fund to the Community Services Fund for program contribution. | 190,717 |
| Due from the Child Development Fund to the General Fund for indirect costs. | 145,016 |
| Due from the Child Development Fund to the Self-Insurance Fund for contributions to OPEB and workers' compensation. | 9,631 |
| Due from the Cafeteria Fund to the General Fund for indirect costs. | 144,834 |
| Due from the Cafeteria Fund to the Self-Insurance Fund for contributions to OPEB and workers' compensation. | 8,479 |
| Due from the Capital Facilities Fund to the General Fund for administrative fee. | 127,733 |
| Due from the Capital Facilities Fund to the Self-Insurance Fund for contributions to OPEB and workers' compensation. | 155 |
| Due from the Community Services Fund to the General Fund for administrative fee. | 30,339 |
| Due from the Community Services Fund to the Self-Insurance Fund for contributions to OPEB and workers' compensation. | 1,951 |
| Due from the Self-Insurance Fund to the General Fund for invoice adjustment. | 69,439 |
| Total | \$ 2,981,577 |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

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

| Interfund Transfers Out | Interfund Transfers In | | | |
|------------------------------|--|------------------------------------|----------------------------|----------------------|
| | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Community Services Fund | Total |
| General Fund | \$ 29,810 | \$ 502,219 | \$ 108,623 | \$ 640,652 |
| Non-Major Governmental Funds | 12,117,957 | 12,117,957 | - | 12,117,957 |
| Total | \$ 12,147,767 | \$ 502,219 | \$ 108,623 | \$ 12,758,609 |

| | | |
|--|-----------|-------------------|
| Transfer from the General Fund to the Child Development Fund for contribution to child care program services. | \$ | 502,219 |
| Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for Caltrans legal fees. | | 29,810 |
| Transfer from the County School Facilities Fund to the Special Reserve Fund for Capital Outlay Projects to move School Facilities Program funds. | | 12,117,957 |
| Transfer from the General Fund to the Community Services Fund for program contribution. | | 108,623 |
| Total | \$ | 12,758,609 |

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Self-Insurance Fund | District-Wide | Governmental Activities | Business-Type Activities |
|--------------------|----------------------|--|------------------------------------|------------------------|---------------------|----------------------------|-----------------------------|
| | Payroll | \$ 9,372,651 | \$ - | \$ 873,002 | \$ 28,778 | \$ - | \$ 10,274,431 |
| Construction | - | 151,161 | 162,809 | - | - | 313,970 | - |
| Vendors payable | 8,594,465 | - | 248,860 | 966,950 | - | 9,810,275 | 40,716 |
| Other liabilities | - | - | 976,926 | - | - | 976,926 | - |
| Unmatured interest | - | - | - | - | 1,375,805 | 1,375,805 | - |
| Total | \$ 17,967,116 | \$ 151,161 | \$ 2,261,597 | \$ 995,728 | \$ 1,375,805 | \$ 22,751,407 | \$ 186,791 |

NOTE 7 – UNEARNED REVENUE

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

| | General Fund | Non-Major Governmental Funds | Governmental Activities | Business-Type Activities |
|---------------------------|---------------------|------------------------------------|----------------------------|-----------------------------|
| | Federal sources | \$ 1,378,199 | \$ - | \$ 1,378,199 |
| State categorical sources | 5,161,258 | - | 5,161,258 | - |
| Local sources | 3,373 | 539,574 | 542,947 | 264,486 |
| Total | \$ 6,542,830 | \$ 539,574 | \$ 7,082,404 | \$ 264,486 |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

| | Balance July 01, 2020 | Additions | Deductions | Balance June 30, 2021 | Balance Due In One Year |
|---------------------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 107,545,000 | \$ - | \$ 7,680,000 | \$ 99,865,000 | \$ 7,825,000 |
| Unamortized premium | 7,318,754 | - | 991,623 | 6,327,131 | 991,623 |
| Unamortized discount | (79,628) | - | (8,848) | (70,780) | (8,848) |
| Total general obligation bonds | 114,784,126 | - | 8,662,775 | 106,121,351 | 8,807,775 |
| Compensated absences | 1,433,248 | - | 103,051 | 1,330,197 | - |
| Net OPEB liability | 94,688,580 | 13,879,096 | - | 108,567,676 | - |
| Net pension liability | 289,575,572 | 44,161,533 | - | 333,737,105 | - |
| Claims liability | 10,911,141 | - | 1,682,548 | 9,228,593 | - |
| Total | \$ 511,392,667 | \$ 58,040,629 | \$ 10,448,374 | \$ 558,984,922 | \$ 8,807,775 |
| Business-Type Activities | | | | | |
| Net pension liability | \$ 1,792,926 | \$ 127,792 | \$ - | \$ 1,920,718 | \$ - |
| Total | \$ 1,792,926 | \$ 127,792 | \$ - | \$ 1,920,718 | \$ - |

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for claims liability are made from the Self-Insurance Fund.

A. General Obligation Bonds

The general obligations bonds outstanding at June 30, 2021 are summarized as follows:

| Series | Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | | Bonds Outstanding June 30, 2021 |
|-------------------|------------|---------------|---------------|----------------|---------------------------|-------------|---------------------|---------------------------------|
| | | | | | Outstanding July 01, 2020 | Additions | Deductions | |
| 2013 Refunding | 5/9/2013 | 8/1/2029 | 2.0% - 5.0% | \$ 71,865,000 | \$ 22,100,000 | \$ - | \$ 3,610,000 | \$ 18,490,000 |
| 2004 Series 2013A | 9/26/2013 | 8/1/2029 | 2.0% - 5.0% | 10,000,000 | 2,380,000 | - | 330,000 | 2,050,000 |
| 2004 Series 2016A | 8/2/2016 | 8/1/2030 | 2.0% - 4.0% | 10,000,000 | 8,940,000 | - | 310,000 | 8,630,000 |
| 2016 Refunding | 8/2/2016 | 8/1/2030 | 3.0% - 4.0% | 33,140,000 | 28,995,000 | - | 2,150,000 | 26,845,000 |
| 2019 Refunding | 12/5/2019 | 8/1/2029 | 1.8% - 2.5% | 45,130,000 | 45,130,000 | - | 1,280,000 | 43,850,000 |
| | | | | | \$ 107,545,000 | \$ - | \$ 7,680,000 | \$ 99,865,000 |

The annual requirements to amortize general obligation bonds outstanding at June 30, 2021 is as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|----------------------|----------------------|-----------------------|
| 2022 | \$ 7,825,000 | \$ 3,132,691 | \$ 10,957,691 |
| 2023 | 8,495,000 | 2,778,358 | 11,273,358 |
| 2024 | 9,175,000 | 2,391,664 | 11,566,664 |
| 2025 | 9,895,000 | 1,971,191 | 11,866,191 |
| 2026 | 10,335,000 | 1,609,653 | 11,944,653 |
| 2027 - 2031 | 54,140,000 | 3,380,120 | 57,520,120 |
| Total | \$ 99,865,000 | \$ 15,263,677 | \$ 115,128,677 |

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

2019 General Obligation Refunding Bonds

On December 5, 2019, the District issued \$45,130,000 of 2019 General Obligation Refunding Bonds (Federally Taxable). Proceeds from the bonds were used to establish an escrow portfolio to defease a portion of the remaining outstanding 2013 General Obligation Refunding Bonds and Election 2004, Series 2013A General Obligation Bonds. The net proceeds received for the 2019 General Obligation Refunding Bonds were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the general obligation bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. This refunding reduced total debt service payments by \$2,658,924 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,296,171.

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$1,330,197. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Other Postemployment Benefits

The District's beginning net OPEB liability was \$94,688,580 and increased by \$13,879,096 during the year ended June 30, 2021. The ending net OPEB liability at June 30, 2021 was \$108,567,676 which represents the total OPEB liability reported for the District Plan and its proportionate share of the net MPP Program OPEB liability. See Note 12 for additional information regarding the net OPEB liability.

D. Net Pension Liability

The District's combined beginning net pension liability was \$291,368,498 and increased by \$44,289,325 during the year ended June 30, 2021. The combined ending net pension liability at June 30, 2021 was \$335,657,823. See Note 13 for additional information regarding the net pension liability.

E. Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation, and health and welfare claims is reported in the Self-Insurance Fund. The outstanding claims liability at June 30, 2021, amount to \$9,228,593. See Note 10 for additional information regarding the claims liability balance.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. These issuances do not represent debt of the District and, as such, the related financial activity does not appear in the accompanying basic financial statements. The special assessment debt fully matured during the year ended June 30, 2021.

NOTE 10 – RISK MANAGEMENT

The District's risk management activities are recorded in the Self-Insurance Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims up to a \$1,000,000 self-insured retention (SIR) and has obtained excess coverage up to statutory limits through participation in the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District also participates in ASCIP for property and liability coverage up to \$5,000,000. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 15 for additional information relating to public entity risk pools.

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

Claims Liabilities

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

Unpaid Claims Liabilities

The 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, 2020 to June 30, 2021:

| | Health Care | Workers' Compensation | Property and Liability | Total |
|---|----------------|--------------------------|---------------------------|---------------|
| Liability Balance, July 01, 2019 | \$ 1,678,417 | \$ 9,295,915 | \$ 128,199 | \$ 11,102,531 |
| Claims & changes in estimates | 18,906,880 | 903,677 | 88,294 | 19,898,851 |
| Claims payments | (19,113,907) | (903,677) | (72,657) | (20,090,241) |
| Liability Balance, June 30, 2020 | 1,471,390 | 9,295,915 | 143,836 | 10,911,141 |
| Claims & changes in estimates | 18,821,483 | 924,700 | 74,493 | 19,820,676 |
| Claims payments | (19,137,938) | (2,149,584) | (215,702) | (21,503,224) |
| Liability Balance, June 30, 2021 | \$ 1,154,935 | \$ 8,071,031 | \$ 2,627 | \$ 9,228,593 |
| Assets available to pay claims at June 30, 2021 | \$ 4,380,033 | \$ 15,552,265 | \$ 642,358 | \$ 20,574,656 |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|-----------------------------|----------------------|---|---|---|
| Non-spendable | | | | |
| Revolving cash | \$ 120,000 | \$ - | \$ - | \$ 120,000 |
| Stores inventory | 247,877 | - | 107,611 | 355,488 |
| Prepaid expenditures | 8,329,638 | 57,196 | - | 8,386,834 |
| Total non-spendable | <u>8,697,515</u> | <u>57,196</u> | <u>107,611</u> | <u>8,862,322</u> |
| Restricted | | | | |
| Educational programs | 15,834,923 | - | - | 15,834,923 |
| Food service | - | - | 641,221 | 641,221 |
| Associated student body | - | - | 2,491,560 | 2,491,560 |
| Capital projects | - | 29,545,839 | 16,323,324 | 45,869,163 |
| Debt service | - | - | 10,052,175 | 10,052,175 |
| Total restricted | <u>15,834,923</u> | <u>29,545,839</u> | <u>29,508,280</u> | <u>74,889,042</u> |
| Assigned | | | | |
| Negotiated salary increase | 20,079,196 | - | - | 20,079,196 |
| Textbooks | 6,533,872 | - | - | 6,533,872 |
| Technology replacement plan | 4,600,000 | - | - | 4,600,000 |
| Caltrans | 2,184,071 | - | - | 2,184,071 |
| SV innovates classrooms | 695,031 | - | - | 695,031 |
| Safety and security | 183,298 | - | - | 183,298 |
| Total assigned | <u>34,275,468</u> | <u>-</u> | <u>-</u> | <u>34,275,468</u> |
| Unassigned | <u>28,331,163</u> | <u>-</u> | <u>-</u> | <u>28,331,163</u> |
| Total Fund Balance | <u>\$ 87,139,069</u> | <u>\$ 29,603,035</u> | <u>\$ 29,615,891</u> | <u>\$ 146,357,995</u> |

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Saddleback Valley Unified School District’s defined benefit OPEB plan, Saddleback Valley Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers’ Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit 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 on a monthly basis.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. OPEB Plan Fiduciary Net Position – MPP Program

Detailed information about the Plan’s fiduciary net position is available in the separately-issued Plan Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the District.

C. 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.

D. Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Saddleback Valley Educators Association (SVEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SVEA, CSEA, and the unrepresented groups. For the measurement period presented, the District contributed \$4,587,226 to the Plan, all of which was used for current premiums.

E. Plan Membership

Membership of the Plan consisted of the following:

| | <u>Number of participants</u> |
|--|--|
| Inactive employees receiving benefits | 254 |
| Inactive employees entitled to but not receiving benefits* | - |
| Participating active employees | <u>1,970</u> |
| Total number of participants** | <u>2,224</u> |

*Information not provided

**As of the June 30, 2019 valuation date

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2021, were as follows:

| | |
|--|------------------------------|
| Total OPEB liability - District Plan | \$ 106,931,766 |
| District's Proportionate Share of the Net MPP OPEB Liability | <u>1,635,910</u> |
| District's total recorded net OPEB liability | <u>\$ 108,567,676</u> |

G. Actuarial Assumptions and Other Inputs

The District's proportionate share of the net MPP Program OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

District Plan

Economic assumptions:

| | |
|-----------------------------|-------|
| Inflation | 2.63% |
| Salary increases | 2.75% |
| Discount rate | 2.20% |
| Healthcare cost trend rates | 4.00% |

Non-economic assumptions:

Mortality Rates

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

MPP Program

Economic assumptions:

| | |
|--------------------------|-------------------------------|
| Inflation | 2.75% |
| Discount rate | 2.21% |
| Medicare cost trend rate | 4.50% Part A and 5.40% Part B |

Non-economic assumptions:

Mortality Rates

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

The discount rate used to measure the total OPEB liability was 2.21%. The MPP Program is funded on a pay-as-you-go basis as previously noted, 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, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondybuyer.com as of June 30, 2020, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2020, was 2.21%, which is a decrease of 1.29% from 3.50% as of June 30, 2019.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Changes in Net OPEB Liability

| | <u>June 30, 2021</u> |
|--|-----------------------|
| Total OPEB Liability | |
| Service cost | \$ 8,367,482 |
| Interest on total OPEB liability | 3,304,429 |
| Difference between expected and actual experience | (1,724,013) |
| Changes of assumptions | 8,186,967 |
| Benefits payments | <u>(4,587,226)</u> |
| Net change in total OPEB liability | 13,547,639 |
| Total OPEB liability - beginning | <u>93,384,127</u> |
| Total OPEB liability - ending (a) | <u>\$ 106,931,766</u> |
| | |
| District's Proportionate Share of the Net MPP OPEB Liability (b) | \$ 1,635,910 |
| | |
| District's total recorded net OPEB liability - ending (a) + (b) | <u>\$ 108,567,676</u> |
| | |
| Covered-employee payroll | N/A* |

*Note: 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.

I. Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease (1.20%) | Valuation Discount Rate (2.20%) | 1% Increase (3.20%) |
|--------------------------------------|--------------------------------|--|--------------------------------|
| Total OPEB liability - District Plan | \$ 111,855,242 | \$ 106,931,766 | \$ 100,373,934 |
| | | | |
| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
| Net OPEB liability - MPP Program | \$ 1,808,954 | \$ 1,635,910 | \$ 1,488,662 |

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the OPEB liability of the Saddleback Valley Unified School District, as well as what the District's OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

| | 1% Decrease (3.00%) | Health Care Cost Trend Rate (4.00%) | 1% Increase (5.00%) |
|--------------------------------------|--|--|--|
| Total OPEB liability - District Plan | \$ 101,897,064 | \$ 106,931,766 | \$ 112,085,298 |
| | 1% Decrease (3.50% Part A and 4.40% Part B) | Medicare Costs Trend Rate (4.50% Part A and 5.40% Part B) | 1% Increase (5.50% Part A and 6.40% Part B) |
| Net OPEB liability - MPP Program | \$ 1,483,335 | \$ 1,635,910 | \$ 1,811,552 |

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

For the year ended June 30, 2021, the Saddleback Valley Unified School District recognized OPEB expense of \$12,593,653. At June 30, 2021, the Saddleback Valley Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

| | District Plan | | MPP Program | |
|---|---|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between projected and actual earnings on plan investments | \$ - | \$ - | \$ - | \$ 784 |
| Differences between expected and actual experience | 3,910,830 | 1,576,661 | - | - |
| Changes in assumptions | 8,631,674 | 1,184,117 | - | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | - | 114,116 | 209,997 |
| District contributions subsequent to the measurement date | 4,054,468 | - | - | - |
| | <u>\$ 16,596,972</u> | <u>\$ 2,760,778</u> | <u>\$ 114,116</u> | <u>\$ 210,781</u> |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

K. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

The \$4,054,468 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | District Plan | | MPP Program | |
|---------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| 2022 | \$ 1,220,905 | \$ 299,163 | \$ 19,019 | \$ 42,250 |
| 2023 | 1,220,905 | 299,163 | 19,019 | 42,241 |
| 2024 | 1,220,905 | 299,163 | 19,019 | 42,190 |
| 2025 | 1,220,905 | 299,163 | 19,019 | 42,100 |
| 2026 | 1,220,905 | 299,163 | 19,019 | 42,000 |
| Thereafter | 6,437,979 | 1,264,963 | 19,021 | - |
| | <u>\$ 12,542,504</u> | <u>\$ 2,760,778</u> | <u>\$ 114,116</u> | <u>\$ 210,781</u> |

NOTE 13 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

| | Net pension liability | Deferred outflows related to pensions | Deferred inflows related to pensions | Pension expense |
|--------------|--------------------------|---|--|----------------------|
| STRS Pension | \$ 246,843,761 | \$ 70,585,950 | \$ 18,158,760 | \$ 34,020,449 |
| PERS Pension | 88,814,062 | 14,928,920 | 2,005,876 | 17,161,622 |
| Total | <u>\$ 335,657,823</u> | <u>\$ 85,514,870</u> | <u>\$ 20,164,636</u> | <u>\$ 51,182,071</u> |

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 13 – PENSION PLANS (continued)

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$21,402,452 for the year ended June 30, 2021.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$14,400,704 to CalSTRS.

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

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

| | |
|---|-----------------------|
| District's proportionate share of the net pension liability | \$ 246,843,761 |
| State's proportionate share of the net pension liability associated with the District | 127,246,958 |
| Total | <u>\$ 374,090,719</u> |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 13 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District’s proportion was 0.255 percent, which was an increase of 0.028 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$34,020,449. In addition, the District recognized pension expense and revenue of \$4,006,098 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between projected and actual earnings on plan investments | \$ 5,863,587 | \$ - |
| Differences between expected and actual experience | 435,566 | 6,961,418 |
| Changes in assumptions | 24,070,763 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 18,813,582 | 11,197,342 |
| District contributions subsequent to the measurement date | 21,402,452 | - |
| Total | <u>\$ 70,585,950</u> | <u>\$ 18,158,760</u> |

The \$21,402,452 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------|---|--|
| 2022 | \$ 7,346,070 | \$ 6,002,683 |
| 2023 | 12,924,374 | 5,513,626 |
| 2024 | 14,921,356 | 2,409,485 |
| 2025 | 6,971,636 | 2,289,527 |
| 2026 | 3,510,031 | 1,599,570 |
| 2027 | 3,510,031 | 343,869 |
| Total | <u>\$ 49,183,498</u> | <u>\$ 18,158,760</u> |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 13 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|-------|
| Consumer Price Inflation | 2.75% |
| Investment Rate of Return* | 7.10% |
| Wage Inflation | 3.50% |

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return* |
|----------------------------|---------------------------------|--|
| Public Equity | 42% | 4.80% |
| Real Estate | 15% | 3.60% |
| Private Equity | 13% | 6.30% |
| Fixed Income | 12% | 1.30% |
| Risk Mitigating Strategies | 10% | 1.80% |
| Inflation Sensitive | 6% | 3.30% |
| Cash/Liquidity | 2% | -0.40% |
| | 100% | |

*20-year geometric average

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 13 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|--|------------------------------------|--|------------------------------------|
| District's proportionate share of the net pension liability | \$ 372,946,538 | \$ 246,843,761 | \$ 142,728,160 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 13 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$8,349,504 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$88,814,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.289 percent, which was a decrease of 0.008 percent from its proportion measured as of June 30, 2019.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 13 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$17,155,697. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between projected and actual earnings on plan investments | \$ 1,848,826 | \$ - |
| Differences between expected and actual experience | 4,404,905 | - |
| Changes in assumptions | 325,685 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 2,005,876 |
| District contributions subsequent to the measurement date | 8,349,504 | - |
| Total | <u>\$ 14,928,920</u> | <u>\$ 2,005,876</u> |

The \$8,349,504 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------|---|--|
| 2022 | \$ 2,281,621 | \$ 940,363 |
| 2023 | 1,924,092 | 560,796 |
| 2024 | 1,490,848 | 504,717 |
| 2025 | 882,855 | - |
| Total | <u>\$ 6,579,416</u> | <u>\$ 2,005,876</u> |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 13 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---------------------------------|
| Inflation | 2.50% |
| Discount Rate | 7.15% |
| Salary Increases | Varies by Entry Age and Service |

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 13 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class | Assumed Asset Allocation | Real Return Years 1 – 10* | Real Return Years 11+** |
|--------------------|---------------------------------|----------------------------------|--------------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.0% | -0.92% |
| | 100.0% | | |

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|------------------------------------|--|------------------------------------|
| District's proportionate share of the net pension liability | \$ 127,686,410 | \$ 88,814,062 | \$ 56,551,964 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2021, the District had no significant commitments with respect to unfinished capital projects.

NOTE 15 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entity for its property and liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage for their member school districts. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs. Financial information for the most recently audited period is available directly from the JPA.

The District also participates in the Coastline Regional Occupational Program (CROP) for the occupational training for high school students and adults residing within the District boundaries. The relationship between the District and the pools are such that they are not component units of the District for financial reporting purposes. Financial information for the most recently audited period is available directly from the entity.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 16 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2021, the deferred outflows on refunding balance was \$2,208,522.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 13. At June 30, 2021, total deferred outflows related to pensions was \$85,514,870 and total deferred inflows related to pensions was \$20,164,636.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 12. At June 30, 2021, total deferred outflows related to other postemployment benefits was \$16,711,088 and total deferred inflows related to other postemployment benefits was \$2,971,559.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 17 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position of Governmental Activities and the beginning fund balance for the Student Activity Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding associated student body (ASB) accounts, it has been determined that the District’s ASB accounts are not fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. In addition, the beginning net position of Governmental Activities and the beginning fund balance for the Bond Interest and Redemption Fund have been restated in order to more accurately reflect the substance of transactions that occurred in the prior year.

The effect on beginning net position is presented as follows:

| | Governmental Activities |
|--|------------------------------------|
| Net Position - Beginning, as Previously Reported | \$ 37,530,416 |
| Restatement | 2,585,081 |
| Net Position - Beginning, as Restated | <u>\$ 40,115,497</u> |

The effect on beginning fund balance is presented as follows:

| | Student Activity Fund | Bond Interest & Redemption Fund |
|--|----------------------------------|--|
| Fund Balance - Beginning, as Previously Reported | \$ - | \$ 9,687,622 |
| Restatement | 2,575,403 | 9,678 |
| Fund Balance - Beginning, as Restated | <u>\$ 2,575,403</u> | <u>\$ 9,697,300</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budgeted Amounts | | Actual* (Budgetary Basis) | Variances - Final to Actual |
|--|----------------------|----------------------|------------------------------|--------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| LCFF sources | \$ 223,368,268 | \$ 239,736,236 | \$ 239,743,715 | \$ 7,479 |
| Federal sources | 13,363,057 | 23,857,253 | 24,196,511 | 339,258 |
| Other state sources | 42,951,668 | 58,923,930 | 54,599,004 | (4,324,926) |
| Other local sources | 3,713,834 | 3,077,211 | 3,834,440 | 757,229 |
| Total Revenues | 283,396,827 | 325,594,630 | 322,373,670 | (3,220,960) |
| EXPENDITURES | | | | |
| Certificated salaries | 133,201,790 | 134,578,818 | 134,844,535 | (265,717) |
| Classified salaries | 41,663,614 | 40,974,282 | 40,714,146 | 260,136 |
| Employee benefits | 94,549,014 | 87,649,428 | 88,782,707 | (1,133,279) |
| Books and supplies | 18,669,838 | 18,880,667 | 16,746,834 | 2,133,833 |
| Services and other operating expenditures | 28,752,177 | 27,347,529 | 24,824,897 | 2,522,632 |
| Capital outlay | 228,306 | 860,557 | 594,496 | 266,061 |
| Other outgo | | | | |
| Excluding transfers of indirect costs | 5,271,506 | 5,552,858 | 5,858,406 | (305,548) |
| Transfers of indirect costs | (370,863) | (278,002) | (284,708) | 6,706 |
| Total Expenditures | 321,965,382 | 315,566,137 | 312,081,313 | 3,484,824 |
| Excess (Deficiency) of Revenues Over Expenditures | (38,568,555) | 10,028,493 | 10,292,357 | 263,864 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (719,000) | (636,736) | (640,652) | (3,916) |
| Net Financing Sources (Uses) | (719,000) | (636,736) | (640,652) | (3,916) |
| NET CHANGE IN FUND BALANCE | (39,287,555) | 9,391,757 | 9,651,705 | 259,948 |
| Fund Balance - Beginning | 73,928,948 | 80,535,712 | 80,535,712 | - |
| Fund Balance - Ending | \$ 34,641,393 | \$ 89,927,469 | \$ 90,187,417 | \$ 259,948 |

*Actual amounts reported in this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule reflect an adjustment to Medi-Cal Billing Option and Medi-Cal Administrative Activities programs that have been reclassified from federal revenues to local revenues. In addition, the schedule above does not include the audit adjustment disclosed in the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 8,367,482 | \$ 6,787,722 | \$ 6,606,055 | \$ 6,429,251 |
| Interest on total OPEB liability | 3,304,429 | 3,179,841 | 3,051,308 | 2,657,106 |
| Difference between expected and actual experience | (1,724,013) | 3,986,821 | - | - |
| Changes of assumptions | 8,186,967 | 1,380,418 | (1,639,550) | - |
| Benefits payments | <u>(4,587,226)</u> | <u>(4,473,703)</u> | <u>(4,978,653)</u> | <u>(4,787,166)</u> |
| Net change in total OPEB liability | 13,547,639 | 10,861,099 | 3,039,160 | 4,299,191 |
| Total OPEB liability - beginning | <u>93,384,127</u> | <u>82,523,028</u> | <u>79,483,868</u> | <u>75,184,677</u> |
| Total OPEB liability - ending (a) | <u>\$ 106,931,766</u> | <u>\$ 93,384,127</u> | <u>\$ 82,523,028</u> | <u>\$ 79,483,868</u> |
| District's Proportionate Share of the Net MPP OPEB Liability (b) | \$ 1,635,910 | \$ 1,304,453 | \$ 1,404,262 | \$ 1,820,357 |
| District's total recorded net OPEB liability - ending (a) + (b) | <u>\$ 108,567,676</u> | <u>\$ 94,688,580</u> | <u>\$ 83,927,290</u> | <u>\$ 81,304,225</u> |
| Covered-employee payroll | N/A* | N/A* | N/A* | N/A* |

*Note: 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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2021**

(Dollars in thousands, except for District's proportionate share.)

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Interest on total OPEB liability | \$ 12,457 | \$ 14,225 | \$ 14,567 | \$ 12,928 |
| Difference between expected and actual experience | (4,288) | (10,605) | (15,759) | (41) |
| Changes of assumptions | 70,417 | 12,111 | (10,293) | (31,240) |
| Benefits payments | <u>(27,217)</u> | <u>(27,546)</u> | <u>(28,036)</u> | <u>(28,929)</u> |
| Net change in total OPEB liability | 51,369 | (11,815) | (39,521) | (47,282) |
| Total OPEB liability - beginning | <u>369,413</u> | <u>381,228</u> | <u>420,749</u> | <u>468,031</u> |
| Total OPEB liability - ending | <u>420,782</u> | <u>369,413</u> | <u>381,228</u> | <u>420,749</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 27,685 | \$ 27,977 | \$ 28,218 | \$ 29,117 |
| Net investment income | 25 | 29 | 18 | 11 |
| Benefit payments | (27,217) | (27,546) | (28,036) | (28,929) |
| Administrative expenses | <u>(512)</u> | <u>(1,902)</u> | <u>(578)</u> | <u>(168)</u> |
| Net change in plan fiduciary net position | <u>(19)</u> | <u>(1,442)</u> | <u>(378)</u> | <u>31</u> |
| Plan fiduciary net position - beginning, as previously reported | (2,984) | (1,542) | 41 | 10 |
| Adjustment for application of new GASB statement | <u>-</u> | <u>-</u> | <u>(1,205)</u> | <u>-</u> |
| Plan fiduciary net position - beginning, adjusted | <u>(2,984)</u> | <u>(1,542)</u> | <u>(1,164)</u> | <u>10</u> |
| Plan fiduciary net position - ending | <u>\$ (3,003)</u> | <u>\$ (2,984)</u> | <u>\$ (1,542)</u> | <u>\$ 41</u> |
| MPP Program Net OPEB liability | <u>\$ 423,785</u> | <u>\$ 372,397</u> | <u>\$ 382,770</u> | <u>\$ 420,708</u> |
| District's proportionate share of net OPEB liability | <u>\$ 1,635,910</u> | <u>\$ 1,304,453</u> | <u>\$ 1,404,262</u> | <u>\$ 1,820,357</u> |

See accompanying note to required supplementary information.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| District's proportion of the net pension liability | 0.255% | 0.227% | 0.233% | 0.239% | 0.241% | 0.266% | 0.251% |
| District's proportionate share of the net pension liability | \$ 246,843,761 | \$ 204,691,391 | \$ 214,415,551 | \$ 221,025,782 | \$ 194,628,534 | \$ 179,014,809 | \$ 146,436,112 |
| State's proportionate share of the net pension liability associated with the District | 127,246,958 | 111,673,721 | 122,763,533 | 130,756,985 | 110,798,553 | 94,679,100 | 88,424,447 |
| Total | <u>\$ 374,090,719</u> | <u>\$ 316,365,112</u> | <u>\$ 337,179,084</u> | <u>\$ 351,782,767</u> | <u>\$ 305,427,087</u> | <u>\$ 273,693,909</u> | <u>\$ 234,860,559</u> |
| District's covered payroll | \$ 130,157,494 | \$ 130,892,531 | \$ 123,777,533 | \$ 124,763,633 | \$ 118,292,069 | \$ 121,024,291 | \$ 112,077,239 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 189.7% | 156.4% | 173.2% | 177.2% | 164.5% | 147.9% | 130.7% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.8% | 72.6% | 71.0% | 69.5% | 70.0% | 74.0% | 76.5% |

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.289% | 0.297% | 0.284% | 0.292% | 0.301% | 0.305% | 0.293% |
| District's proportionate share of the net pension liability | \$ 88,814,062 | \$ 86,677,107 | \$ 75,655,831 | \$ 69,705,112 | \$ 59,464,936 | \$ 44,925,240 | \$ 33,241,819 |
| District's covered payroll | \$ 41,848,561 | \$ 41,087,033 | \$ 36,663,988 | \$ 37,800,122 | \$ 35,585,650 | \$ 32,888,913 | \$ 30,426,737 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 212.2% | 211.0% | 206.3% | 184.4% | 167.1% | 136.6% | 109.3% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.0% | 70.0% | 70.8% | 71.9% | 73.9% | 79.4% | 83.4% |

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 21,402,452 | \$ 22,171,991 | \$ 21,259,688 | \$ 17,861,098 | \$ 15,695,265 | \$ 12,692,739 | \$ 10,746,957 |
| Contributions in relation to the contractually required contribution* | (21,402,452) | (22,171,991) | (21,259,688) | (17,861,098) | (15,695,265) | (12,692,739) | (10,746,957) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 132,067,761 | \$ 130,157,494 | \$ 130,892,531 | \$ 123,777,533 | \$ 124,763,633 | \$ 118,292,069 | \$ 121,024,291 |
| Contributions as a percentage of covered payroll | 16.21% | 17.03% | 16.24% | 14.43% | 12.58% | 10.73% | 8.88% |

*Amounts do not include on-behalf contributions

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 8,349,504 | \$ 8,095,680 | \$ 7,324,897 | \$ 5,694,284 | \$ 5,249,681 | \$ 4,215,832 | \$ 3,871,354 |
| Contributions in relation to the contractually required contribution* | (8,349,504) | (8,095,680) | (7,324,897) | (5,694,284) | (5,249,681) | (4,215,832) | (3,871,354) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 40,561,944 | \$ 41,848,561 | \$ 41,087,033 | \$ 36,663,988 | \$ 37,800,122 | \$ 35,585,650 | \$ 32,888,913 |
| Contributions as a percentage of covered payroll | 20.58% | 19.35% | 17.83% | 15.53% | 13.89% | 11.85% | 11.77% |

*Amounts do not include on-behalf contributions

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios – District Plan

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios.

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate assumption decreased from 3.50% to 2.20% since the prior measurement. In addition, the inflation rate decreased from 2.75% to 2.63% since the prior measurement.

Schedule of Changes in Net OPEB Liability and Related Ratios – MPP Program

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations.

Changes in Assumptions

The discount rate used for 2020 financial reporting was 2.21%, a decrease from the rate of 3.50% used for 2019 financial reporting.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District’s covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District’s covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

| | Expenditures and Other Uses | | |
|---------------------------------------|------------------------------------|----------------|---------------|
| | Budget | Actual | Excess |
| General Fund | | | |
| Certificated salaries | \$ 134,578,818 | \$ 134,844,535 | \$ 265,717 |
| Employee benefits | \$ 87,649,428 | \$ 88,782,707 | \$ 1,133,279 |
| Other outgo | | | |
| Excluding transfers of indirect costs | \$ 5,552,858 | \$ 5,858,406 | \$ 305,548 |

SUPPLEMENTARY INFORMATION

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through Grantor/Program or Cluster | AL Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|--------------|---|-------------------------|
| U. S. DEPARTMENT OF EDUCATION: | | | |
| <i>Passed through California Department of Education:</i> | | | |
| Title I, Part A | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | \$ 2,633,581 |
| Comprehensive Support and Improvement for LEAs | 84.010 | 15438 | <u>209,356</u> |
| Subtotal Title I, Part A | | | <u>2,842,937</u> |
| Title II, Part A, Supporting Effective Instruction Local Grants | 84.367 | 14341 | 477,375 |
| Title III | | | |
| Title III, English Learner Student Program | 84.365 | 14346 | 495,568 |
| Title III, Immigrant Education Program | 84.365 | 15146 | <u>20,563</u> |
| Subtotal Title III | | | <u>516,131</u> |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 202,167 |
| Special Education Cluster | | | |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 5,399,051 |
| IDEA Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 133,821 |
| IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611 | 84.027A | 15197 | 326,562 |
| IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 13430 | 154,975 |
| Alternate Dispute Resolution, Part B, Sec 611 | 84.173A | 13007 | 7,065 |
| IDEA Preschool Staff Development, Part B, Sec 619 | 84.173A | 13431 | <u>3,121</u> |
| Subtotal Special Education Cluster | | | <u>6,024,595</u> |
| IDEA Early Intervention Grants, Part C | 84.181 | 23761 | 30,148 |
| COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1] | | | |
| Expanded Learning Opportunities (ELO) Grant: GEER II | 84.425 | 10159 | 447,102 |
| Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 15536 | 1,032,188 |
| Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve | 84.425 | 10158 | <u>2,601,246</u> |
| Subtotal Education Stabilization Fund Discretionary Grants | | | <u>4,080,536</u> |
| <i>Passed through California Department of Rehabilitation:</i> | | | |
| Rehabilitation Services - Vocational Rehabilitation Grants to States | | | |
| Department of Rehabilitation: Workability II, Transitions Partnership Program | 84.126 | 10006 | 461,913 |
| Work Incentive Training | 84.126A | 10006 | <u>21,759</u> |
| Subtotal Rehabilitation Services - Vocational Rehabilitation Grants to States | | | <u>483,672</u> |
| Total U. S. Department of Education | | | <u>14,657,561</u> |
| U. S. DEPARTMENT OF AGRICULTURE: | | | |
| <i>Passed through California Department of Education:</i> | | | |
| COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO: | | | |
| Child Nutrition Cluster [1] | | | |
| School Breakfast Program - Basic | 10.553 | 13525 | 433,128 |
| School Breakfast Program - Needy | 10.553 | 13526 | 1,869,059 |
| National School Lunch Program | 10.555 | 13391 | 3,868,834 |
| USDA Commodities [2] | 10.555 | * | <u>393,962</u> |
| Subtotal Child Nutrition Cluster | | | <u>6,564,983</u> |
| Total U. S. Department of Agriculture | | | <u>6,564,983</u> |
| U. S. DEPARTMENT OF THE TREASURY: | | | |
| <i>Passed through California Department of Education:</i> | | | |
| COVID-19 Emergency Acts Funding: | | | |
| Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1] | 21.019 | 25516 | <u>9,279,408</u> |
| Total U. S. Department of the Treasury | | | <u>9,279,408</u> |
| Total Federal Expenditures | | | <u>\$ 30,501,952</u> |

[1] - Major Program

[2] - In-Kind Contribution

* - Pass-Through Entity Identifying Number not available or not applicable

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2021**

| Grade Level | 2020-21 Planned Number of Days | 2020-21 Actual Number of Days | Credited Days Per the Approved Form J-13A* | Status |
|--------------------|---|--|---|---------------|
| Kindergarten | 180 | 178 | 2 | Complied |
| Grade 1 | 180 | 178 | 2 | Complied |
| Grade 2 | 180 | 178 | 2 | Complied |
| Grade 3 | 180 | 178 | 2 | Complied |
| Grade 4 | 180 | 178 | 2 | Complied |
| Grade 5 | 180 | 178 | 2 | Complied |
| Grade 6 | 180 | 178 | 2 | Complied |
| Grade 7 | 180 | 180 | - | Complied |
| Grade 8 | 180 | 180 | - | Complied |
| Grade 9 | 180 | 180 | - | Complied |
| Grade 10 | 180 | 180 | - | Complied |
| Grade 11 | 180 | 180 | - | Complied |
| Grade 12 | 180 | 180 | - | Complied |

*The District received an approved Form J-13A for two instructional days at Foothill Ranch Elementary and Portola Ranch Elementary. The District also received an approved Form J-13A for one instructional day at Trabuco Elementary.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

| | 2022 (Budget) | 2021 | 2020 | 2019 |
|--|------------------------|-----------------------|-----------------------|-----------------------|
| General Fund - Budgetary Basis** | | | | |
| Revenues And Other Financing Sources | \$ 323,822,694 | \$ 322,373,670 | \$ 305,097,803 | \$ 310,663,882 |
| Expenditures And Other Financing Uses | 341,702,107 | 312,721,965 | 300,012,295 | 312,431,388 |
| Net change in Fund Balance | <u>\$ (17,879,413)</u> | <u>\$ 9,651,705</u> | <u>\$ 5,085,508</u> | <u>\$ (1,767,506)</u> |
| Ending Fund Balance | <u>\$ 72,308,004</u> | <u>\$ 90,187,417</u> | <u>\$ 80,535,712</u> | <u>\$ 75,954,091</u> |
| Available Reserves* | <u>\$ 25,556,918</u> | <u>\$ 28,331,163</u> | <u>\$ 33,234,954</u> | <u>\$ 16,036,586</u> |
| Available Reserves As A Percentage Of Outgo | <u>7.48%</u> | <u>9.06%</u> | <u>11.08%</u> | <u>5.13%</u> |
| Long-term Liabilities | <u>\$ 550,177,147</u> | <u>\$ 558,984,922</u> | <u>\$ 511,392,667</u> | <u>\$ 506,386,619</u> |
| Average Daily Attendance At P-2*** | <u>24,225</u> | <u>25,248</u> | <u>25,248</u> | <u>25,718</u> |

The General Fund ending fund balance has increased by \$14,233,326 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$17,879,413. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term obligations have decreased by \$52,598,303 over the past two years.

Average daily attendance has decreased by 470 ADA over the past two years. A further decrease of 1,023 ADA is anticipated during the 2021-22 fiscal year.

*Available reserves consist of all unassigned fund balances within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include an audit adjustment to accounts receivable that is not reflected in the actual revenues and expenditures reported in this schedule. That adjustment is outlined in the disclosed in the Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>General Fund</u> | <u>Community Services Fund</u> |
|--|-------------------------|------------------------------------|
| June 30, 2021, annual financial and budget report fund balance | \$ 90,187,417 | \$ - |
| Adjustments and reclassifications: | | |
| Increase (decrease) in total fund balances: | | |
| Accounts receivable adjustment | (3,048,348) | - |
| Net pension liability (GASB 68) | - | (1,554,416) |
| Capital assets adjustments | - | 5,075 |
| Net adjustments and reclassifications | <u>(3,048,348)</u> | <u>(1,549,341)</u> |
| June 30, 2021, audited financial statement fund balance | <u>\$ 87,139,069</u> | <u>\$ (1,549,341)</u> |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021**

| | Student Activity Fund | Special Education Pass-Through Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Capital Projects Fund for Blended Component Units | Bond Interest and Redemption Fund | Non-Major Governmental Funds |
|---|--------------------------|---|------------------------------|---------------------|----------------------------|----------------------------------|---|--------------------------------------|------------------------------------|
| ASSETS | | | | | | | | | |
| Cash and investments | \$ 2,491,560 | \$ - | \$ 529,835 | \$ 274,082 | \$ 16,273,195 | \$ 162,726 | \$ 124,182 | \$ 10,044,283 | \$ 29,899,863 |
| Accounts receivable | - | - | 59,117 | 1,174,480 | 114,466 | 83 | - | 7,892 | 1,356,038 |
| Due from other funds | - | 976,926 | 502,219 | 10,253 | - | - | - | - | 1,489,398 |
| Stores inventory | - | - | - | 107,611 | - | - | - | - | 107,611 |
| Total Assets | \$ 2,491,560 | \$ 976,926 | \$ 1,091,171 | \$ 1,566,426 | \$ 16,387,661 | \$ 162,809 | \$ 124,182 | \$ 10,052,175 | \$ 32,852,910 |
| LIABILITIES | | | | | | | | | |
| Accrued liabilities | \$ - | \$ 976,926 | \$ 478,810 | \$ 582,421 | \$ 60,631 | \$ 162,809 | \$ - | \$ - | \$ 2,261,597 |
| Due to other funds | - | - | 154,647 | 153,313 | 127,888 | - | - | - | 435,848 |
| Unearned revenue | - | - | 457,714 | 81,860 | - | - | - | - | 539,574 |
| Total Liabilities | - | 976,926 | 1,091,171 | 817,594 | 188,519 | 162,809 | - | - | 3,237,019 |
| FUND BALANCES | | | | | | | | | |
| Non-spendable | - | - | - | 107,611 | - | - | - | - | 107,611 |
| Restricted | 2,491,560 | - | - | 641,221 | 16,199,142 | - | 124,182 | 10,052,175 | 29,508,280 |
| Total Fund Balances | 2,491,560 | - | - | 748,832 | 16,199,142 | - | 124,182 | 10,052,175 | 29,615,891 |
| Total Liabilities and Fund Balance | \$ 2,491,560 | \$ 976,926 | \$ 1,091,171 | \$ 1,566,426 | \$ 16,387,661 | \$ 162,809 | \$ 124,182 | \$ 10,052,175 | \$ 32,852,910 |

See accompanying note to supplementary information.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

| | Student Activity Fund | Special Education Pass-Through Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Capital Projects Fund for Blended Component Units | Bond Interest and Redemption Fund | Non-Major Governmental Funds |
|--|--------------------------|---|------------------------------|-------------------|----------------------------|----------------------------------|---|--------------------------------------|------------------------------------|
| REVENUES | | | | | | | | | |
| Federal sources | \$ - | \$ 486,473 | \$ - | \$ 6,564,983 | \$ - | \$ - | \$ - | \$ - | \$ 7,051,456 |
| Other state sources | - | 1,887,523 | 3,230 | 519,481 | - | 12,117,957 | - | 66,012 | 14,594,203 |
| Other local sources | 5,130,764 | - | 4,409,531 | 18,092 | 4,364,819 | 4,757 | - | 11,410,316 | 25,338,279 |
| Total Revenues | 5,130,764 | 2,373,996 | 4,412,761 | 7,102,556 | 4,364,819 | 12,122,714 | - | 11,476,328 | 46,983,938 |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| Pupil services | | | | | | | | | |
| Food services | - | - | - | 5,576,452 | - | - | - | - | 5,576,452 |
| General administration | | | | | | | | | |
| All other general administration | - | - | 144,765 | 139,942 | 127,733 | - | - | - | 412,440 |
| Plant services | - | - | 12,066 | - | - | - | 7,896 | - | 19,962 |
| Facilities acquisition and maintenance | - | - | - | 701,062 | 376,724 | 261,674 | - | - | 1,339,460 |
| Ancillary services | 5,214,607 | - | - | - | - | - | - | - | 5,214,607 |
| Community services | - | - | 5,758,703 | - | - | - | - | - | 5,758,703 |
| Transfers to other agencies | - | 2,373,996 | - | - | - | - | - | - | 2,373,996 |
| Debt service | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | 7,680,000 | 7,680,000 |
| Interest and other | - | - | - | - | - | - | - | 3,441,453 | 3,441,453 |
| Total Expenditures | 5,214,607 | 2,373,996 | 5,915,534 | 6,417,456 | 504,457 | 261,674 | 7,896 | 11,121,453 | 31,817,073 |
| Excess (Deficiency) of Revenues Over Expenditures | (83,843) | - | (1,502,773) | 685,100 | 3,860,362 | 11,861,040 | (7,896) | 354,875 | 15,166,865 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | - | - | 502,219 | - | - | - | - | - | 502,219 |
| Transfers out | - | - | - | - | - | (12,117,957) | - | - | (12,117,957) |
| Net Financing Sources (Uses) | - | - | 502,219 | - | - | (12,117,957) | - | - | (11,615,738) |
| NET CHANGE IN FUND BALANCE | (83,843) | - | (1,000,554) | 685,100 | 3,860,362 | (256,917) | (7,896) | 354,875 | 3,551,127 |
| Fund Balance - Beginning, as Restated | 2,575,403 | - | 1,000,554 | 63,732 | 12,338,780 | 256,917 | 132,078 | 9,697,300 | 26,064,764 |
| Fund Balance - Ending | \$ 2,491,560 | \$ - | \$ - | \$ 748,832 | \$ 16,199,142 | \$ - | \$ 124,182 | \$ 10,052,175 | \$ 29,615,891 |

See accompanying note to supplementary information.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2021**

The Saddleback Valley Unified School District was organized on July 1, 1973 and is comprised of an area of approximately 93 square miles located in Orange County. There were no changes in the boundaries of the District during the current year. The District operates 23 elementary schools, four intermediate schools, four high schools, one special education school, one virtual academy, one continuation high school, and one early education school.

GOVERNING BOARD

| Member | Office | Term Expires |
|------------------|----------------|---------------------|
| Suzie R. Swartz | President | 2024 |
| Amanda Morrell | Vice President | 2024 |
| Barbara Schulman | Clerk | 2022 |
| Greg Kunath | Member | 2022 |
| Dr. Edward Wong | Member | 2024 |

DISTRICT ADMINISTRATORS

Crystal Turner, Ed. D.
Superintendent

Connie Cavanaugh, CPA
Assistant Superintendent, Human Resources & Fiscal Services

Liza Zielasko
Assistant Superintendent, Educational Services

Robert Craven
Assistant Superintendent, Facilities, Operations, and Technology

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2021**

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 following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

| | AL Number | Amount |
|---|--------------|----------------------|
| Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance | | \$ 27,453,604 |
| ELO Grant: GEER II | 84.425 | 447,102 |
| ELO Grant: ESSER II State Reserve | 84.425 | <u>2,601,246</u> |
| Total Expenditures reported in the Schedule of Expenditures of Federal Awards | | <u>\$ 30,501,952</u> |

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

**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**Independent Auditors' Report

Governing Board
Saddleback Valley Unified School District
Mission Viejo, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Saddleback Valley Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Saddleback Valley Unified School District's basic financial statements, and have issued our report thereon dated January 11, 2022.

Internal Control over Financial Reporting

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

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

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
January 11, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Saddleback Valley Unified School District
Mission Viejo, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Christy White, Inc.

San Diego, California
January 11, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Saddleback Valley Unified School District
Mission Viejo, California

Report on State Compliance

We have audited Saddleback Valley Unified School District's compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Saddleback Valley Unified School District's state programs for the fiscal year ended June 30, 2021, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Saddleback Valley Unified School District's state 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 *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Saddleback Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Saddleback Valley Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Saddleback Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

Procedures Performed

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

| PROGRAM NAME | PROCEDURES PERFORMED |
|--|-----------------------------|
| Local Education Agencies Other Than Charter Schools | |
| Attendance and Distance Learning | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| K-3 Grade Span Adjustment | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| School Districts, County Offices of Education, and Charter Schools | |
| California Clean Energy Jobs Act | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Charter Schools | |
| Independent Study-Course Based; for charter schools | Not Applicable |
| Attendance; for charter schools | Not Applicable |
| Mode of Instruction; for charter schools | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study; for charter schools | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction; for charter schools | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

Christy White, Inc.

San Diego, California
January 11, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENTS

| | |
|--|----------------------|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <u>None Reported</u> |
| Non-compliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major program: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <u>None Reported</u> |
| Type of auditors' report issued: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)? | <u>No</u> |
| Identification of major programs: | |

| <u>AL Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|--|
| <u>84.425, 84.425D</u> | <u>Education Stabilization Fund Discretionary Grants</u> |
| <u>21.019</u> | <u>CRF: Learning Loss Mitigation</u> |
| <u>10.553, 10.555</u> | <u>Child Nutrition Cluster</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 915,059</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|---|----------------------|
| Internal control over state programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <u>None Reported</u> |
| Type of auditors' report issued on compliance for state programs: | <u>Unmodified</u> |

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2021.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2021.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2021.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-001: INSTRUCTIONAL MATERIALS PUBLIC HEARING NOTICE (70000)

Criteria: California Education Code Section 60119 requires the governing board of each local education agency (LEA) to hold a public hearing and make a determination through a resolution, as to whether each pupil has sufficient textbooks or instructional materials on or before the end of the eighth week from the first day of school for that year. In addition, this section requires the LEA to post notices of public hearing at least ten days prior to the hearing in three public places.

Condition: During our compliance testing of this area, we determined the District did not post the notice of public hearing regarding the sufficiency of instructional materials a minimum of ten days prior to the public hearing. The documentation provided to auditors indicated that the public notice was distributed for posting October 9, 2019, while the public hearing took place at the board meeting held on October 17, 2019.

Effect: The District is not in compliance with California Education Code Section 60119.

Cause: Administrative oversight.

Questioned Costs: None. There is no funding directly related to the sufficiency of instructional materials public hearing and board resolution.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement procedures to ensure compliance with Education Code requirements regarding the sufficiency of instructional materials public hearing notice.

Corrective Action Plan: Educational Services has implemented a check and balance system to ensure the annual posting for sufficiency of instructional materials requirement is met.

Educational Services will post the sufficiency of instructional materials notice on or before September 15th annually. This will ensure the requirement to post at least 10 days prior to the first board meeting after the eighth week of instruction is met. The first board meeting after the eighth week of instruction is typically the second Thursday in October. Fiscal Services administration will verify the posting is complete on September 15th every year.

Current Status: Implemented.