

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2023

Saddleback Valley
Unified School District



SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
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JUNE 30, 2023

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Saddleback Valley Unified School District
Mission Viejo, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddleback Valley Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Saddleback Valley Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddleback Valley Unified School District, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Saddleback Valley Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Saddleback Valley Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Saddleback Valley Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Saddleback Valley Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 December 14, 2023 on our consideration of the 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 the 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
December 14, 2023

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

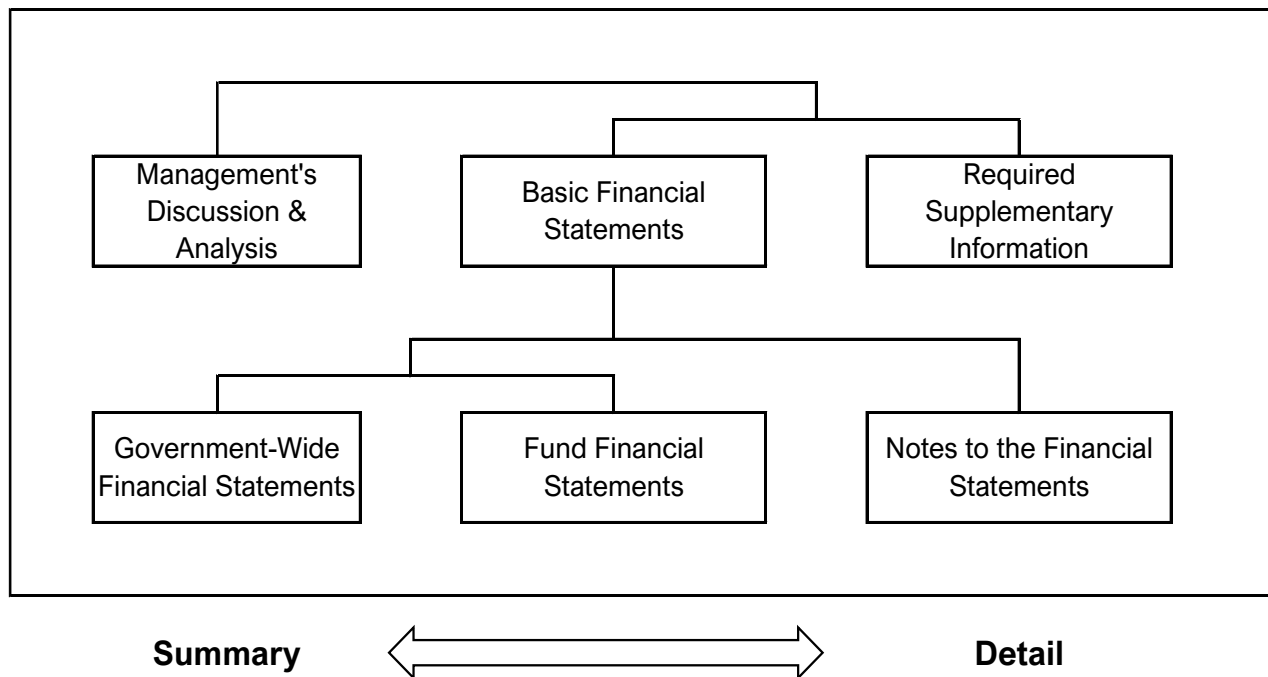
Our discussion and analysis of Saddleback Valley Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's combined net position was \$176,992,408 at June 30, 2023. This was an aggregate increase of \$105,218,656 from the prior year after restatement. The District's net position is comprised of \$178,125,266 related to governmental activities and \$(1,132,858) related to business-type activities.
- ▶ Total revenues related to governmental activities were \$451,711,342, which exceeded expenses of \$346,500,817. This resulted in an increase of \$105,210,525 in net position related to governmental activities.
- ▶ Total revenues related to business-type activities were \$1,416,591, which exceeded expenses of \$1,408,460. This resulted in an increase of \$8,131 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, 2023**

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, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$176,992,408 at June 30, 2023, as reflected in the table below. Of this amount, \$(209,720,630) 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		
	2023	2022	Net Change	2023	2022	Net Change
ASSETS						
Current and other assets	\$ 277,924,810	\$ 222,188,981	\$ 55,735,829	\$ 710,936	\$ 1,009,169	\$ (298,233)
Capital assets	334,990,058	329,316,578	5,673,480	54,561	21,816	32,745
Total Assets	612,914,868	551,505,559	61,409,309	765,497	1,030,985	(265,488)
DEFERRED OUTFLOWS OF RESOURCES	115,422,909	81,597,215	33,825,694	505,312	378,723	126,589
LIABILITIES						
Current liabilities	44,943,548	39,185,525	5,758,023	485,323	687,994	(202,671)
Long-term liabilities	431,031,895	353,080,579	77,951,316	1,740,799	1,460,704	280,095
Total Liabilities	475,975,443	392,266,104	83,709,339	2,226,122	2,148,698	77,424
DEFERRED INFLOWS OF RESOURCES	74,237,068	167,924,785	(93,687,717)	177,545	401,999	(224,454)
NET POSITION						
Net investment in capital assets	249,678,215	234,211,524	15,466,691	54,561	21,816	32,745
Restricted	136,980,262	97,119,295	39,860,967	-	-	-
Unrestricted	(208,533,211)	(258,418,934)	49,885,723	(1,187,419)	(1,162,805)	(24,614)
Total Net Position	\$ 178,125,266	\$ 72,911,885	\$ 105,213,381	\$ (1,132,858)	\$ (1,140,989)	\$ 8,131

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

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 and expenses for the year.

	Governmental Activities			Business-Type Activities		
	2023	2022	Net Change	2023	2022	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 2,042,521	\$ 3,252,265	\$ (1,209,744)	\$ 1,337,843	\$ 1,333,631	\$ 4,212
Operating grants and contributions	124,752,021	86,750,967	38,001,054	-	-	-
Capital grants and contributions	5,542,746	3,967,303	1,575,443	-	-	-
General revenues						
Property taxes	245,080,041	228,338,659	16,741,382	-	-	-
Unrestricted federal and state aid	59,389,707	43,542,521	15,847,186	-	-	-
Other	14,904,306	7,682,628	7,221,678	78,748	446,132	(367,384)
Total Revenues	451,711,342	373,534,343	78,176,999	1,416,591	1,779,763	(363,172)
EXPENSES						
Instruction	187,864,383	180,985,756	6,878,627	-	-	-
Instruction-related services	36,085,099	31,819,954	4,265,145	-	-	-
Pupil services	33,542,995	29,427,761	4,115,234	-	-	-
General administration	16,744,568	14,234,633	2,509,935	-	-	-
Plant services	26,236,152	26,221,330	14,822	-	-	-
Ancillary and community services	14,487,125	14,281,924	205,201	-	-	-
Debt service	1,325,903	2,008,882	(682,979)	-	-	-
Other outgo	10,475,199	9,552,605	922,594	-	-	-
Depreciation	19,729,408	19,680,524	48,884	-	-	-
Other	9,985	20,898	(10,913)	1,408,460	1,371,411	37,049
Total Expenses	346,500,817	328,234,267	18,266,550	1,408,460	1,371,411	37,049
Change in net position	105,210,525	45,300,076	59,910,449	8,131	408,352	(400,221)
Net Position - Beginning, as Restated*	72,914,741	27,611,809	45,302,932	(1,140,989)	(1,549,341)	408,352
Net Position - Ending	\$ 178,125,266	\$ 72,911,885	\$ 105,213,381	\$ (1,132,858)	\$ (1,140,989)	\$ 8,131

*Beginning net position of governmental activities was restated for the 2023 year only.

The cost of all our governmental activities this year was \$346,500,817 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$245,080,041 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 an increase in net position of \$8,131 during the year ended June 30, 2023.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

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	
	2023	2022
Instruction	\$ 99,943,313	\$ 137,778,271
Instruction-related services	29,540,822	21,392,529
Pupil services	13,343,984	12,180,726
General administration	12,583,461	5,287,355
Plant services	25,980,929	26,049,294
Ancillary and community services	6,983,053	7,216,815
Debt service	1,325,903	2,008,882
Transfers to other agencies	4,723,176	2,648,438
Depreciation	19,729,408	19,680,524
Enterprise activities	9,480	20,898
Total	\$ 214,163,529	\$ 234,263,732

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 \$220,247,627, which is more than this year’s restated beginning fund balance of \$174,729,810. The District’s General Fund had \$37,622,681 more in operating revenues than expenditures for the year ended June 30, 2023, offset by other financing uses of \$4,000,000 related to a transfer to the Internal Service Fund, for a net increase in fund balance of \$33,622,681. The District’s Special Reserve Fund for Capital Outlay Projects experienced a net increase in fund balance of \$1,566,599 primarily due to a transfer received from the County School Facilities Fund in the amount of \$5,542,746.

CURRENT YEAR BUDGET 2022-2023

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, 2023**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2022-2023 the District had invested a total of \$335,044,619 in capital assets, net of accumulated depreciation.

	Governmental Activities			Business-Type Activities		
	2023	2022	Net Change	2023	2022	Net Change
CAPITAL ASSETS						
Land	\$ 39,487,653	\$ 39,487,653	\$ -	\$ -	\$ -	\$ -
Construction in progress	27,496,913	7,326,657	20,170,256	-	-	-
Land improvements	61,546,100	61,546,100	-	500,000	500,000	-
Buildings & improvements	516,085,526	514,577,920	1,507,606	8,620	8,620	-
Furniture & equipment	40,287,651	36,593,182	3,694,469	89,224	52,325	36,899
Less: Accumulated depreciation	(349,913,785)	(330,214,934)	(19,698,851)	(543,283)	(539,129)	(4,154)
Total	\$ 334,990,058	\$ 329,316,578	\$ 5,673,480	\$ 54,561	\$ 21,816	\$ 32,745

Long-Term Liabilities

At year-end, the District had a total of \$432,772,694 in long-term liabilities. This was an increase of 16% from last year, as summarized in the table below. More detailed information about the District’s long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities			Business-Type Activities		
	2023	2022	Net Change	2023	2022	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$ 87,835,801	\$ 97,313,576	\$ (9,477,775)	\$ -	\$ -	\$ -
Prop. 39 settlement liability	424,500	495,250	(70,750)	-	-	-
Compensated absences	954,329	1,028,081	(73,752)	-	-	-
Net OPEB liability	88,919,795	94,014,765	(5,094,970)	-	-	-
Net pension liability	254,495,131	161,364,206	93,130,925	1,740,799	1,460,704	280,095
Claims liability	8,630,864	8,413,226	217,638	-	-	-
Less: current portion of long-term liabilities	(10,228,525)	9,548,525	(19,777,050)	-	-	-
Total	\$ 431,031,895	\$ 372,177,629	\$ 58,854,266	\$ 1,740,799	\$ 1,460,704	\$ 280,095

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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 June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California’s economy regardless of the Federal Reserve’s policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of \$106.8 billion (\$77.4 billion General Fund and \$29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of \$108.8 billion (\$79.6 billion General Fund and \$29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF. Additionally, the May revise saw a reduction of \$1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a \$2.5 billion reduction of the Learning Recovery Emergency Block Grant.

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, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The CalPERS projected employer contribution rate for 2023-24 is 26.68 percent. The 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 2023-24 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, Business 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, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 240,850,028	\$ 749,296	\$ 241,599,324
Accounts receivable	28,922,622	37,002	28,959,624
Internal balances	75,362	(75,362)	-
Inventory	323,179	-	323,179
Prepaid expenses	7,753,619	-	7,753,619
Capital assets, not depreciated	66,984,566	-	66,984,566
Capital assets, net of accumulated depreciation	268,005,492	54,561	268,060,053
Total Assets	612,914,868	765,497	613,680,365
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	96,974,308	505,312	97,479,620
Deferred outflows related to OPEB	15,924,643	-	15,924,643
Deferred amount on refunding	2,523,958	-	2,523,958
Total Deferred Outflows of Resources	115,422,909	505,312	115,928,221
LIABILITIES			
Accrued liabilities	28,290,887	98,454	28,389,341
Unearned revenue	6,424,136	386,869	6,811,005
Long-term liabilities, current portion	10,228,525	-	10,228,525
Long-term liabilities, non-current portion	431,031,895	1,740,799	432,772,694
Total Liabilities	475,975,443	2,226,122	478,201,565
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	44,932,864	177,545	45,110,409
Deferred inflows related to OPEB	29,304,204	-	29,304,204
Total Deferred Inflows of Resources	74,237,068	177,545	74,414,613
NET POSITION			
Net investment in capital assets	249,678,215	54,561	249,732,776
Restricted:			
Capital projects	52,444,489	-	52,444,489
Debt service	10,162,293	-	10,162,293
Educational programs	59,559,342	-	59,559,342
Food service	11,552,949	-	11,552,949
Associated student body	3,261,189	-	3,261,189
Unrestricted	(208,533,211)	(1,187,419)	(209,720,630)
Total Net Position	\$ 178,125,266	\$ (1,132,858)	\$ 176,992,408

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, 2023**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 187,864,383	\$ 915,034	\$ 81,463,290	\$ 5,542,746	\$ (99,943,313)	
Instruction-related services						
Instructional supervision and administration	14,756,301	7,674	6,301,355	-	(8,447,272)	
Instructional library, media, and technology	3,663,481	2,608	64,317	-	(3,596,556)	
School site administration	17,665,317	22,409	145,914	-	(17,496,994)	
Pupil services						
Home-to-school transportation	5,347,596	-	30,962	-	(5,316,634)	
Food services	9,473,768	13,579	15,363,078	-	5,902,889	
All other pupil services	18,721,631	15,235	4,776,157	-	(13,930,239)	
General administration						
Centralized data processing	5,272,981	-	-	-	(5,272,981)	
All other general administration	11,471,587	20,151	4,140,956	-	(7,310,480)	
Plant services	26,236,152	40,337	214,886	-	(25,980,929)	
Ancillary services	9,086,662	38,673	7,123,888	-	(1,924,101)	
Community services	5,400,463	97,587	243,924	-	(5,058,952)	
Enterprise activities	9,985	147	358	-	(9,480)	
Interest on long-term debt	1,325,903	-	-	-	(1,325,903)	
Other outgo	10,475,199	869,087	4,882,936	-	(4,723,176)	
Depreciation (unallocated)	19,729,408	-	-	-	(19,729,408)	
Total Governmental Activities	\$ 346,500,817	\$ 2,042,521	\$ 124,752,021	\$ 5,542,746	(214,163,529)	
BUSINESS-TYPE ACTIVITIES						
Enterprise activities	\$ 1,408,460	\$ 1,337,843	\$ -	\$ -	\$ (70,617)	
Total Business-Type Activities	1,408,460	1,337,843	-	-	(70,617)	
Total School District	\$ 347,909,277	\$ 3,380,364	\$ 124,752,021	\$ 5,542,746		\$ (214,234,146)
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes				229,955,827	-	229,955,827
Property taxes, levied for debt service				12,080,605	-	12,080,605
Property taxes, levied for other specific purposes				3,043,609	-	3,043,609
Federal and state aid not restricted for specific purposes				59,389,707	-	59,389,707
Interest and investment earnings				3,639,227	21,157	3,660,384
Interagency revenues				438,308	-	438,308
Miscellaneous				10,826,771	57,591	10,884,362
Subtotal, General Revenue				319,374,054	78,748	319,452,802
CHANGE IN NET POSITION				105,210,525	8,131	105,218,656
Net Position - Beginning, as Restated				72,914,741	(1,140,989)	71,773,752
Net Position - Ending				\$ 178,125,266	\$ (1,132,858)	\$ 176,992,408

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 132,801,621	\$ 39,443,027	\$ 47,694,557	\$ 219,939,205
Accounts receivable	24,648,877	122,907	4,089,224	28,861,008
Due from other funds	675,048	12,469	565,356	1,252,873
Stores inventory	262,183	-	60,996	323,179
Prepaid expenditures	4,460,305	-	12,420	4,472,725
Total Assets	\$ 162,848,034	\$ 39,578,403	\$ 52,422,553	\$ 254,848,990
LIABILITIES				
Accrued liabilities	\$ 19,194,436	\$ 4,786,814	\$ 2,760,747	\$ 26,741,997
Due to other funds	824,022	2	611,206	1,435,230
Unearned revenue	5,751,428	-	672,708	6,424,136
Total Liabilities	25,769,886	4,786,816	4,044,661	34,601,363
FUND BALANCES				
Nonspendable	4,842,489	-	73,416	4,915,905
Restricted	54,964,726	34,791,587	48,304,476	138,060,789
Committed	42,835,968	-	-	42,835,968
Assigned	6,861,153	-	-	6,861,153
Unassigned	27,573,812	-	-	27,573,812
Total Fund Balances	137,078,148	34,791,587	48,377,892	220,247,627
Total Liabilities and Fund Balances	\$ 162,848,034	\$ 39,578,403	\$ 52,422,553	\$ 254,848,990

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, 2023**

Total Fund Balance - Governmental Funds \$ 220,247,627

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	\$ 684,903,843	
Accumulated depreciation	<u>(349,913,785)</u>	334,990,058

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:

2,523,958

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:

(1,080,527)

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	\$ 87,835,801	
Prop. 39 settlement liability	424,500	
Compensated absences	954,329	
Net OPEB liability	88,919,795	
Net pension liability	<u>254,495,131</u>	(432,629,556)

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	\$ 96,974,308	
Deferred inflows of resources related to pensions	<u>(44,932,864)</u>	52,041,444

(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, 2023**

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	\$ 15,924,643	
Deferred inflows of resources related to OPEB	<u>(29,304,204)</u>	(13,379,561)

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:

15,411,823

Total Net Position - Governmental Activities

\$ 178,125,266

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 281,301,979	\$ -	\$ -	\$ 281,301,979
Federal sources	26,334,554	-	7,547,500	33,882,054
Other state sources	95,102,698	-	16,523,631	111,626,329
Other local sources	10,766,410	4,063,095	29,320,815	44,150,320
Total Revenues	413,505,641	4,063,095	53,391,946	470,960,682
EXPENDITURES				
Current				
Instruction	234,309,772	-	-	234,309,772
Instruction-related services				
Instructional supervision and administration	18,226,466	-	-	18,226,466
Instructional library, media, and technology	3,785,140	-	-	3,785,140
School site administration	21,174,958	-	-	21,174,958
Pupil services				
Home-to-school transportation	5,350,761	-	-	5,350,761
Food services	89,937	-	9,470,691	9,560,628
All other pupil services	22,662,978	-	-	22,662,978
General administration				
Centralized data processing	5,323,519	-	-	5,323,519
All other general administration	11,755,103	-	524,757	12,279,860
Plant services	28,376,094	-	19,464	28,395,558
Facilities acquisition and construction	13,725,818	8,039,242	1,839,397	23,604,457
Ancillary services	2,801,197	-	6,549,467	9,350,664
Community services	601,325	-	4,994,650	5,595,975
Enterprise activities	2,822	-	-	2,822
Transfers to other agencies	7,626,320	-	2,848,879	10,475,199
Debt service				
Principal	70,750	-	8,495,000	8,565,750
Interest and other	-	-	2,778,358	2,778,358
Total Expenditures	375,882,960	8,039,242	37,520,663	421,442,865
Excess (Deficiency) of Revenues Over Expenditures	37,622,681	(3,976,147)	15,871,283	49,517,817
Other Financing Sources (Uses)				
Transfers in	-	5,542,746	-	5,542,746
Transfers out	(4,000,000)	-	(5,542,746)	(9,542,746)
Net Financing Sources (Uses)	(4,000,000)	5,542,746	(5,542,746)	(4,000,000)
NET CHANGE IN FUND BALANCE	33,622,681	1,566,599	10,328,537	45,517,817
Fund Balance - Beginning, as Restated	103,455,467	33,224,988	38,049,355	174,729,810
Fund Balance - Ending	\$ 137,078,148	\$ 34,791,587	\$ 48,377,892	\$ 220,247,627

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, 2023**

Net Change in Fund Balances - Governmental Funds \$ 45,517,817

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:	\$ 25,402,888	
Depreciation expense:	<u>(19,729,408)</u>	5,673,480

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:

8,565,750

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:

315,436

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:

154,244

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:

73,752

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:

(768,426)

(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, 2023**

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: 39,930,446

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: 4,765,251

Change in Net Position of Governmental Activities	\$ 105,210,525
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**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2023**

	Business-Type Activities	Governmental Activities
	Community Services Fund	Internal Service Fund
ASSETS		
Current assets		
Cash and investments	\$ 749,296	\$ 20,910,823
Accounts receivable	37,002	61,614
Due from other funds	949	257,719
Prepaid expenses	-	3,280,894
Total current assets	<u>787,247</u>	<u>24,511,050</u>
Non-current assets		
Capital assets, net of accumulated depreciation	54,561	-
Total non-current assets	<u>54,561</u>	<u>-</u>
Total Assets	<u>841,808</u>	<u>24,511,050</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	505,312	-
Total Deferred Outflows of Resources	<u>505,312</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	98,454	468,363
Due to other funds	76,311	-
Unearned revenue	386,869	-
Total current liabilities	<u>561,634</u>	<u>468,363</u>
Non-current liabilities		
Claims liability	-	8,630,864
Net pension liability	1,740,799	-
Total non-current liabilities	<u>1,740,799</u>	<u>8,630,864</u>
Total Liabilities	<u>2,302,433</u>	<u>9,099,227</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	177,545	-
Total Deferred Inflows of Resources	<u>177,545</u>	<u>-</u>
NET POSITION		
Unrestricted	(1,132,858)	15,411,823
Total Net Position	<u>\$ (1,132,858)</u>	<u>\$ 15,411,823</u>

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, 2023**

	Business-Type Activities	Governmental Activities
	Community Services Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,337,843	\$ 48,795,397
Other local revenues	57,591	1,313,173
Total operating revenues	1,395,434	50,108,570
OPERATING EXPENSES		
Salaries and benefits	1,159,903	408,205
Supplies and materials	101,046	469
Professional services	143,357	49,321,986
Depreciation	4,154	-
Total operating expenses	1,408,460	49,730,660
Operating income/(loss)	(13,026)	377,910
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	21,157	387,341
Transfers in	-	4,000,000
Total non-operating revenues/(expenses)	21,157	4,387,341
CHANGE IN NET POSITION		
Net Position - Beginning	(1,140,989)	10,646,572
Net Position - Ending	\$ (1,132,858)	\$ 15,411,823

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, 2023**

	Business-Type Activities	Governmental Activities
	Community Services Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	\$ 1,337,843	\$ 48,795,397
Cash received (paid) from assessments made to (from) other funds	(44,449)	1,924,472
Cash payments for payroll, insurance, and operating costs	(1,471,114)	(49,609,230)
Net cash provided by (used for) operating activities	<u>(177,720)</u>	<u>1,110,639</u>
Cash flows from non-capital financing activities		
Interfund transfers in (out)	-	4,000,000
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>4,000,000</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(36,899)	-
Net cash provided by (used for) in capital and related financing activities	<u>(36,899)</u>	<u>-</u>
Cash flows from investing activities		
Interest received	21,157	387,341
Net cash provided by (used for) investing activities	<u>21,157</u>	<u>387,341</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(193,462)</u>	<u>5,497,980</u>
 CASH AND CASH EQUIVALENTS		
Beginning of year	942,758	15,412,843
End of year	<u>\$ 749,296</u>	<u>\$ 20,910,823</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	\$ (13,026)	\$ 377,910
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	4,154	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	62,019	186,023
(Increase) decrease in due from other funds	(852)	425,276
(Increase) decrease in prepaid expenses	-	(93,539)
(Increase) decrease in deferred outflows related to pensions	(126,589)	-
Increase (decrease) in accrued liabilities	(39,464)	(1,695)
Increase (decrease) in due to other funds	43,604	(974)
Increase (decrease) in unearned revenue	(163,207)	-
Increase (decrease) in claims liability	-	217,638
Increase (decrease) in net pension liability	280,095	-
Increase (decrease) in deferred inflows related to pensions	(224,454)	-
Net cash provided by (used for) operating activities	<u>\$ (177,720)</u>	<u>\$ 1,110,639</u>

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

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 TK-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*, GASBS No. 80, *Blending Requirements for Certain Component Units*, GASBS No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, and GASBS No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans.*, 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, 2023

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, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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.*).

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, 2023

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, 2023**

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.

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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2023**

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)

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

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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

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)

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.

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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

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)

Deferred Outflows/Deferred Inflows of Resources (continued)

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.

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, lease receivables (net of related deferred inflows), 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.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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 (continued)

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.

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.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 fully implemented this Statement as of June 30, 2023.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. 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. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Investment in county treasury	\$ 218,245,738	\$ 20,532,326	\$ 238,778,064	\$ 709,387
Fair value adjustment	(2,094,311)	(206,635)	(2,300,946)	(7,134)
Cash on hand and in banks	3,667,778	585,132	4,252,910	47,043
Cash in revolving fund	120,000	-	120,000	-
Total	\$ 219,939,205	\$ 20,910,823	\$ 240,850,028	\$ 749,296

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.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS

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

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 \$237,179,371. The average weighted maturity for this pool is 225 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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2023, \$2,664,557 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.

The District's fair value measurements at June 30, 2023 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 237,179,371</u>
Total	<u>\$ 237,179,371</u>

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Federal Government						
Categorical aid	\$ 11,280,677	\$ -	\$ 2,060,234	\$ -	\$ 13,340,911	\$ -
State Government						
Apportionment	2,049,411	-	-	-	2,049,411	-
Categorical aid	7,237,289	-	1,857,017	-	9,094,306	-
Lottery	1,330,989	-	-	-	1,330,989	-
Local Government						
Other local sources	2,750,511	122,907	171,973	61,614	3,107,005	37,002
Total	\$ 24,648,877	\$ 122,907	\$ 4,089,224	\$ 61,614	\$ 28,922,622	\$ 37,002

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 39,487,653	\$ -	\$ -	\$ 39,487,653
Construction in progress	7,326,657	20,435,940	265,684	27,496,913
Total capital assets not being depreciated	46,814,310	20,435,940	265,684	66,984,566
Capital assets being depreciated				
Land improvements	61,546,100	-	-	61,546,100
Buildings & improvements	514,577,920	1,507,606	-	516,085,526
Furniture & equipment	36,593,182	3,725,026	30,557	40,287,651
Total capital assets being depreciated	612,717,202	5,232,632	30,557	617,919,277
Less: Accumulated depreciation				
Land improvements	40,970,458	2,634,949	-	43,605,407
Buildings & improvements	265,309,770	15,490,493	-	280,800,263
Furniture & equipment	23,934,706	1,603,966	30,557	25,508,115
Total accumulated depreciation	330,214,934	19,729,408	30,557	349,913,785
Total capital assets being depreciated, net	282,502,268	(14,496,776)	-	268,005,492
Governmental Activities				
Capital Assets, net	\$ 329,316,578	\$ 5,939,164	\$ 265,684	\$ 334,990,058
Business-Type Activities				
Capital assets being depreciated				
Land improvements	\$ 500,000	\$ -	\$ -	\$ 500,000
Buildings & improvements	8,620	-	-	8,620
Furniture & equipment	52,325	36,899	-	89,224
Total capital assets being depreciated	560,945	36,899	-	597,844
Less: Accumulated depreciation				
Land improvements	500,000	-	-	500,000
Buildings & improvements	4,789	287	-	5,076
Furniture & equipment	34,340	3,867	-	38,207
Total accumulated depreciation	539,129	4,154	-	543,283
Total capital assets being depreciated, net	21,816	32,745	-	54,561
Business-Type Activities				
Capital Assets, net	\$ 21,816	\$ 32,745	\$ -	\$ 54,561

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2023 were as follows:

Due To Other Funds	Due From Other Funds					Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Community Services Fund	
General Fund	\$ -	\$ -	\$ 565,354	\$ 257,719	\$ 949	\$ 824,022
Special Reserve Fund for Capital Outlay Projects	-	-	2	-	-	2
Non-Major Governmental Funds	598,737	12,469	-	-	-	611,206
Community Services Fund	76,311	-	-	-	-	76,311
Total	\$ 675,048	\$ 12,469	\$ 565,356	\$ 257,719	\$ 949	\$ 1,511,541

Due from the General Fund to the Special Education Pass-Through Fund to move special education funding.	\$	549,639
Due from the General Fund to the Child Development Fund for expenditure correction.		444
Due from the General Fund to the Cafeteria Fund for bad debt expense.		15,271
Due from the General Fund to the Community Services Fund for expenditure correction.		949
Due from the General Fund to the Internal Service Fund for contributions to OPEB and workers' compensation		257,719
Due from the Child Development Fund to the General Fund for OPEB, indirect costs, and miscellaneous reimbursements.		304,372
Due from the Cafeteria Fund to the General Fund for OPEB, indirect costs, and miscellaneous reimbursements.		259,440
Due from the Capital Facilities Fund to the General Fund for annual administrative fee and other miscellaneous reimbursements.		34,925
Due from the Community Services Fund to the General Fund for indirect costs and other miscellaneous reimbursements.		76,311
Due from the County School Facilities Fund to the Special Reserve Fund for Capital Outlay Projects to move interest costs.		12,469
Due from the Special Reserve Fund for Capital Outlay Projects to the County School Facilities Fund to move interest costs		2
Total	\$	1,511,541

B. Operating Transfers

During the year ended June 30, 2023, the District transferred \$5,542,746 from the County School Facilities Fund to the Special Reserve Fund for Capital Outlay Projects to move SFP funding and accrued interest. Additionally, the General Fund transferred \$4,000,000 to the Internal Service Fund for health and welfare costs.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	District-Wide	Governmental Activities	Business-Type Activities
Payroll	\$ 12,280,426	\$ -	\$ 742,932	\$ 26,446	\$ -	\$ 13,049,804	\$ 95,473
Construction	-	4,786,814	1,416,071	-	-	6,202,885	-
Vendors payable	4,118,518	-	52,105	441,917	-	4,612,540	2,981
Unmatured interest	-	-	-	-	1,080,527	1,080,527	-
Due to other agencies	-	-	549,639	-	-	549,639	-
Due to grantor government	2,795,492	-	-	-	-	2,795,492	-
Total	\$ 19,194,436	\$ 4,786,814	\$ 2,760,747	\$ 468,363	\$ 1,080,527	\$ 28,290,887	\$ 98,454

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities	Business-Type Activities
Federal sources	\$ 1,689,200	\$ 57,095	\$ 1,746,295	\$ -
State categorical sources	4,059,836	-	4,059,836	-
Local sources	2,392	615,613	618,005	386,869
Total	\$ 5,751,428	\$ 672,708	\$ 6,424,136	\$ 386,869

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 92,040,000	\$ -	\$ 8,495,000	\$ 83,545,000	\$ 9,175,000
Unamortized premium	5,335,508	-	991,623	4,343,885	991,623
Unamortized discount	(61,932)	-	(8,848)	(53,084)	(8,848)
Total general obligation bonds	97,313,576	-	9,477,775	87,835,801	10,157,775
Prop. 39 settlement liability	495,250	-	70,750	424,500	70,750
Compensated absences	1,028,081	-	73,752	954,329	-
Net OPEB liability	94,014,765	-	5,094,970	88,919,795	-
Net pension liability	161,364,206	93,130,925	-	254,495,131	-
Claims liability	8,413,226	217,638	-	8,630,864	-
Total	\$ 362,629,104	\$ 93,348,563	\$ 14,717,247	\$ 441,260,420	\$ 10,228,525
Business-Type Activities					
Net pension liability	\$ 1,460,704	\$ 280,095	\$ -	\$ 1,740,799	\$ -
Total	\$ 1,460,704	\$ 280,095	\$ -	\$ 1,740,799	\$ -

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for the Prop. 39 settlement liability are made in the General 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, 2023 are summarized as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2023
					Outstanding July 01, 2022	Additions	Deductions	
2013 Refunding	5/9/2013	8/1/2029	2.0-5.0%	\$ 71,865,000	\$ 14,520,000	\$ -	\$ 4,385,000	\$ 10,135,000
2004 Series 2013A	9/26/2013	8/1/2029	2.0-5.0%	10,000,000	1,655,000	-	470,000	1,185,000
2004 Series 2016A	8/2/2016	8/1/2030	2.0-4.0%	10,000,000	8,255,000	-	445,000	7,810,000
2016 Refunding	8/2/2016	8/1/2030	3.0-4.0%	33,140,000	24,605,000	-	2,330,000	22,275,000
2019 Refunding	12/5/2019	8/1/2029	1.8-2.5%	45,130,000	43,005,000	-	865,000	42,140,000
Total					\$ 92,040,000	\$ -	\$ 8,495,000	\$ 83,545,000

The annual requirements to amortize general obligation bonds outstanding at June 30, 2023 is as follows:

Year Ended June 30,	Principal	Interest	Total
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	10,955,000	1,312,233	12,267,233
2028	11,595,000	997,138	12,592,138
2029 - 2031	31,590,000	1,070,749	32,660,749
Total	\$ 83,545,000	\$ 9,352,628	\$ 92,897,628

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

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, 2023 amounted to \$954,329. 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 \$94,014,765 and decreased by \$5,094,970 during the year ended June 30, 2023. The ending net OPEB liability at June 30, 2023 was \$88,919,795 which represents the total OPEB liability reported for the District Plan and its proportionate share of the net MPP Program OPEB liability. See Note 11 for additional information regarding the net OPEB liability.

D. Net Pension Liability

The District's combined beginning net pension liability was \$162,824,910 and increased by \$93,411,020 during the year ended June 30, 2023. The combined ending net pension liability at June 30, 2023 was \$256,235,930. See Note 12 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, 2023, amount to \$8,630,864. See Note 9 for additional information regarding the claims liability balance.

F. Prop. 39 Settlement Liability

During the year ended June 30, 2022, the District entered into a settlement agreement with the State Controller's Office to repay a sum of \$566,000 as the result of an audit of California Clean Energy Jobs Act Fund. The sum will be repaid without interest, in equal installments of \$70,750 per year over an eight-year period, with the final payment due by June 30, 2029. As of June 30, 2023, the balance of the liability was \$424,500.

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 9 – 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, 2021 to June 30, 2023:

	Health & Welfare	Workers' Compensation	Property and Liability	Total
Liability Balance, July 01, 2021	\$ 1,154,935	\$ 8,071,031	\$ 2,627	9,228,593
Claims & changes in estimates	790,245	1,081,745	227,357	2,099,347
Claims payments	(1,779,752)	(1,081,745)	(53,217)	(2,914,714)
Liability Balance, June 30, 2022	165,428	8,071,031	176,767	8,413,226
Claims & changes in estimates	2,338,131	1,672,824	760,629	4,771,584
Claims payments	(2,373,559)	(1,751,814)	(428,573)	(4,553,946)
Liability Balance, June 30, 2023	\$ 130,000	\$ 7,992,041	\$ 508,823	\$ 8,630,864
Assets available to pay claims at June 30, 2023				<u>\$ 20,910,823</u>

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2023:

	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	262,184	-	60,996	323,180
Prepaid expenditures	4,460,305	-	12,420	4,472,725
Total non-spendable	4,842,489	-	73,416	4,915,905
Restricted				
Educational programs	54,964,726	-	4,594,616	59,559,342
Food service	-	-	11,552,949	11,552,949
Associated student body	-	-	3,261,189	3,261,189
Capital projects	-	34,791,587	17,652,902	52,444,489
Debt service	-	-	11,242,820	11,242,820
Total restricted	54,964,726	34,791,587	48,304,476	138,060,789
Committed				
Other commitments	42,835,968	-	-	42,835,968
Total committed	42,835,968	-	-	42,835,968
Assigned				
Other assignments	6,861,153	-	-	6,861,153
Total assigned	6,861,153	-	-	6,861,153
Unassigned	27,573,812	-	-	27,573,812
Total	\$ 137,078,148	\$ 34,791,587	\$ 48,377,892	\$ 220,247,627

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 11 – 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, 2023**

NOTE 11 – 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 School 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, the District contributed \$4,998,894 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	212
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>1,807</u>
Total number of participants**	<u>2,019</u>

*Information not provided

**As of the July 1, 2021 valuation date

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2023**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability - District Plan	\$ 88,143,218
District's proportionate share of net MPP OPEB liability	<u>776,577</u>
District's total recorded net OPEB liability	<u>\$ 88,919,795</u>

G. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2021 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, 2022.

District Plan

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.54%
Healthcare cost trend rate	4.00%

Non-economic assumptions:

Mortality Rates

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

MPP Program

Economic assumptions:

Inflation	2.75%
Discount rate	3.54%
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 3.54%. 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, 2021, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2022, was 3.54%, which is an increase of 1.38% from 2.16% as of June 30, 2021.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Changes in Net OPEB Liability

	<u>June 30, 2023</u>
Total OPEB Liability	
Service cost	\$ 6,367,872
Interest on total OPEB liability	2,017,791
Difference between expected and actual experience	208,994
Changes of assumptions	(8,079,804)
Benefits payments	<u>(4,998,894)</u>
Net change in total OPEB liability	(4,484,041)
Total OPEB liability - beginning	<u>92,627,259</u>
Total OPEB liability - ending (a)	<u>\$ 88,143,218</u>
District's proportionate share of the net MPP OPEB liability (b)	<u>\$ 776,577</u>
District's total recorded net OPEB liability - ending (a) + (b)	<u>\$ 88,919,795</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:

	<u>1% Decrease</u>	<u>Valuation Discount Rate</u>	<u>1% Increase</u>
	<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
Total OPEB liability - District Plan	\$ 94,249,767	\$ 88,919,795	\$ 84,276,897
	<u>1% Decrease</u>	<u>Valuation Discount Rate</u>	<u>1% Increase</u>
	<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
Net OPEB liability - MPP Program	\$ 846,618	\$ 776,577	\$ 715,930

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – 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/Medicare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost		
	<u>1% Decrease</u> <u>(3.00%)</u>	<u>Trend Rate</u> <u>(4.00%)</u>	<u>1% Increase</u> <u>(5.00%)</u>
Total OPEB liability - District Plan	\$ 79,295,154	\$ 88,919,795	\$ 98,043,433

	Medicare Costs		
	<u>1% Decrease</u> <u>(3.30% Part A and</u> <u>4.50% Part B)</u>	<u>Trend Rate</u> <u>(4.30% Part A and</u> <u>5.50% Part B)</u>	<u>1% Increase</u> <u>(5.30% Part A and</u> <u>6.50% Part B)</u>
Net OPEB liability - MPP Program	\$ 712,537	\$ 776,577	\$ 849,168

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

For the year ended June 30, 2023, the Saddleback Valley Unified School District recognized OPEB expense of \$6,603,098. At June 30, 2023, 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:

	<u>District Plan</u>		<u>MPP Program</u>	
	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ -	\$ -	\$ 412
Differences between expected and actual experience	3,295,292	17,290,589	-	-
Changes in assumptions	6,996,222	11,438,004	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-	71,851	575,199
District contributions subsequent to the measurement date	5,561,278	-	-	-
Total	<u>\$ 15,852,792</u>	<u>\$ 28,728,593</u>	<u>\$ 71,851</u>	<u>\$ 575,611</u>

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

The \$5,561,278 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>District Plan</u>		<u>MPP Program</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 1,239,079	\$ 3,021,644	\$ 23,246	\$ 133,038
2025	1,239,079	3,021,644	23,246	132,985
2026	1,239,079	3,021,644	23,247	90,922
2027	1,239,079	3,021,644	1,057	90,887
2028	1,239,079	3,021,644	1,055	63,890
Thereafter	4,096,119	13,620,373	-	63,890
Total	\$ 10,291,514	\$ 28,728,593	\$ 71,851	\$ 575,611

NOTE 12 – 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:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 163,811,075	\$ 67,380,272	\$ 38,440,240	\$ (10,105,896)
PERS Pension	92,424,855	30,099,348	6,670,169	9,844,510
Total	\$ 256,235,930	\$ 97,479,620	\$ 45,110,409	\$ (261,386)

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, 2023**

NOTE 12 – 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 2023, 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 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$27,808,292 for the year ended June 30, 2023.

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 \$13,143,749 to CalSTRS.

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

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

District's proportionate share of the net pension liability	\$ 163,811,075
State's proportionate share of the net pension liability associated with the District	82,037,066
Total	<u>\$ 245,848,141</u>

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 12 – 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, 2022, 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, 2021 and rolling forward the total pension liability to June 30, 2022. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District’s proportion was 0.236 percent, which was a decrease of 0.005 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(10,105,896). In addition, the District recognized pension expense and revenue of \$(6,105,591) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 8,008,321
Differences between expected and actual experience	134,376	12,282,412
Changes in assumptions	8,123,837	-
Changes in proportion and differences between District contributions and proportionate share of contributions	31,313,767	18,149,507
District contributions subsequent to the measurement date	27,808,292	-
Total	<u>\$ 67,380,272</u>	<u>\$ 38,440,240</u>

The \$27,808,292 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, 2024. 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>
2024	\$ 13,394,226	\$ 12,915,920
2025	6,522,204	13,281,032
2026	6,522,204	15,793,385
2027	6,522,202	(8,814,450)
2028	3,305,573	4,700,917
2029	3,305,571	563,436
Total	<u>\$ 39,571,980</u>	<u>\$ 38,440,240</u>

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2023**

NOTE 12 – 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, 2021, and rolling forward the total pension liability to June 30, 2022 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, 2021 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, 2022, 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, 2023**

NOTE 12 – 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	\$ 278,211,962	\$ 163,811,075	\$ 68,823,943

Pension Plan Fiduciary Net Position

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

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.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 12 – PENSION PLANS (continued)

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

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 2023 was 25.37% of annual payroll. Contributions to the plan from the District were \$11,931,716 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$92,424,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 and rolling forward the total pension liability to June 30, 2022. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District’s proportion was 0.269 percent, which was a decrease of 0.014 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$9,844,510. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 10,912,861	\$ -
Differences between expected and actual experience	417,706	2,299,649
Changes in assumptions	6,837,065	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,370,520
District contributions subsequent to the measurement date	11,931,716	-
Total	<u>\$ 30,099,348</u>	<u>\$ 6,670,169</u>

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 12 – 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)

The \$11,931,716 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, 2024. 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>
2024	\$ 4,565,591	\$ 2,815,185
2025	4,001,393	2,260,841
2026	2,946,370	1,594,143
2027	6,654,278	-
Total	\$ 18,167,632	\$ 6,670,169

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
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 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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+ 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, 2023**

NOTE 12 – 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*
Global Equity – cap-weighted	30.0%	4.45%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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 6.90 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District’s proportionate share of the net pension liability	\$ 133,512,383	\$ 92,424,855	\$ 58,467,523

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, 2023**

NOTE 13 – 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, 2023.

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, 2023.

C. Construction Commitments

As of June 30, 2023, the District had \$3,020,536 in outstanding commitments with respect to unfinished capital projects.

NOTE 14 – 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.

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. 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 12. At June 30, 2023, total deferred outflows related to pensions was \$97,479,620 and total deferred inflows related to pensions was \$45,110,409.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2023**

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

B. 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, 2023, the deferred outflows on refunding balance was \$2,523,958.

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 11. At June 30, 2023, total deferred outflows related to other postemployment benefits was \$15,924,643 and total deferred inflows related to other postemployment benefits was \$29,304,204.

NOTE 16 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position of Governmental Activities and the beginning fund balances of the Student Activity Fund and 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	\$ 72,911,885
Restatement	2,856
Net Position - Beginning, as Restated	<u>\$ 72,914,741</u>

The effect on beginning fund balance is presented as follows:

	Student Activity Fund	Bond Interest and Redemption Fund
Fund Balance - Beginning, as Previously Reported	\$ 2,756,238	\$ 10,124,908
Restatement	(3,410)	6,266
Fund Balance - Beginning, as Restated	<u>\$ 2,752,828</u>	<u>\$ 10,131,174</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 252,418,174	\$ 282,937,061	\$ 281,301,980	\$ (1,635,081)
Federal sources	25,321,895	27,432,715	26,334,554	(1,098,161)
Other state sources	65,465,467	83,073,149	95,102,698	12,029,549
Other local sources	4,233,915	8,332,197	10,766,409	2,434,212
Total Revenues	347,439,451	401,775,122	413,505,641	11,730,519
EXPENDITURES				
Certificated salaries	138,008,847	150,024,955	149,946,998	77,957
Classified salaries	46,361,725	47,615,801	48,017,583	(401,782)
Employee benefits	96,946,295	100,402,002	100,251,515	150,487
Books and supplies	20,814,253	20,713,197	19,596,538	1,116,659
Services and other operating expenditures	34,116,952	46,648,468	44,512,328	2,136,140
Capital outlay	7,534,000	9,169,016	6,421,660	2,747,356
Other outgo				
Excluding transfers of indirect costs	8,795,536	7,484,043	7,626,320	(142,277)
Transfers of indirect costs	(529,670)	(509,028)	(489,982)	(19,046)
Total Expenditures	352,047,938	381,548,454	375,882,960	5,665,494
Excess (Deficiency) of Revenues Over Expenditures	(4,608,487)	20,226,668	37,622,681	17,396,013
Other Financing Sources (Uses)				
Transfers out	(4,000,000)	(4,000,000)	(4,000,000)	-
Net Financing Sources (Uses)	(4,000,000)	(4,000,000)	(4,000,000)	-
NET CHANGE IN FUND BALANCE	(8,608,487)	16,226,668	33,622,681	17,396,013
Fund Balance - Beginning	103,455,467	103,455,467	103,455,467	-
Fund Balance - Ending	\$ 94,846,980	\$ 119,682,135	\$ 137,078,148	\$ 17,396,013

*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 include reclassifications.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<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	\$ 6,367,872	\$ 10,576,199	\$ 8,367,482	\$ 6,787,722	\$ 6,606,055	\$ 6,429,251
Interest on total OPEB liability	2,017,791	2,402,569	3,304,429	3,179,841	3,051,308	2,657,106
Difference between expected and actual experience	208,994	(19,378,872)	-	3,986,821	-	-
Changes of assumptions	(8,079,804)	(3,849,835)	8,186,967	1,380,418	(1,639,550)	-
Benefits payments	<u>(4,998,894)</u>	<u>(4,054,568)</u>	<u>(6,311,239)</u>	<u>(4,473,703)</u>	<u>(4,978,653)</u>	<u>(4,787,166)</u>
Net change in total OPEB liability	(4,484,041)	(14,304,507)	13,547,639	10,861,099	3,039,160	4,299,191
Total OPEB liability - beginning	<u>92,627,259</u>	<u>106,931,766</u>	<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>\$ 88,143,218</u>	<u>\$ 92,627,259</u>	<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 net MPP OPEB liability (b)	<u>\$ 776,577</u>	<u>\$ 1,387,506</u>	<u>\$ 1,635,910</u>	<u>\$ 1,304,453</u>	<u>\$ 1,404,262</u>	<u>\$ 1,820,357</u>
District's net OPEB liability - ending (a) + (b)	<u>\$ 88,919,795</u>	<u>\$ 94,014,765</u>	<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*	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, 2023**

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<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	\$ 8,270	\$ 9,009	\$ 12,457	\$ 14,225	\$ 14,567	\$ 12,928
Difference between expected and actual experience	(9,627)	(9,598)	(4,288)	(10,605)	(15,759)	(41)
Changes of assumptions	(42,212)	1,874	70,417	12,111	(10,293)	(31,240)
Benefits payments	<u>(25,776)</u>	<u>(26,377)</u>	<u>(27,217)</u>	<u>(27,546)</u>	<u>(28,036)</u>	<u>(28,929)</u>
Net change in total OPEB liability	(69,345)	(25,092)	51,369	(11,815)	(39,521)	(47,282)
Total OPEB liability - beginning	<u>395,690</u>	<u>420,782</u>	<u>369,413</u>	<u>381,228</u>	<u>420,749</u>	<u>468,031</u>
Total OPEB liability - ending	<u>\$ 326,345</u>	<u>\$ 395,690</u>	<u>\$ 420,782</u>	<u>\$ 369,413</u>	<u>\$ 381,228</u>	<u>\$ 420,749</u>
Plan fiduciary net position						
Contributions - employer	\$ 26,352	\$ 26,988	\$ 27,685	\$ 27,977	\$ 28,218	\$ 29,117
Net investment income	1	6	25	29	18	11
Benefit payments	(25,776)	(26,377)	(27,217)	(27,546)	(28,036)	(28,929)
Administrative expenses	<u>(469)</u>	<u>(788)</u>	<u>(512)</u>	<u>(1,902)</u>	<u>(578)</u>	<u>(168)</u>
Net change in plan fiduciary net position	<u>108</u>	<u>(171)</u>	<u>(19)</u>	<u>(1,442)</u>	<u>(378)</u>	<u>31</u>
Plan fiduciary net position - beginning, as previously reported	(3,174)	(3,003)	(2,984)	(1,542)	41	10
Adjustment for application of new GASB statement	-	-	-	-	(1,205)	-
Plan fiduciary net position - beginning, as adjusted	<u>(3,174)</u>	<u>(3,003)</u>	<u>(2,984)</u>	<u>(1,542)</u>	<u>(1,164)</u>	<u>10</u>
Plan fiduciary net position - ending	<u>\$ (3,066)</u>	<u>\$ (3,174)</u>	<u>\$ (3,003)</u>	<u>\$ (2,984)</u>	<u>\$ (1,542)</u>	<u>\$ 41</u>
MPP Program Net OPEB liability	<u>\$ 329,411</u>	<u>\$ 398,864</u>	<u>\$ 423,785</u>	<u>\$ 372,397</u>	<u>\$ 382,770</u>	<u>\$ 420,708</u>
District's proportionate share of net OPEB liability	\$ 776,577	\$ 1,387,506	\$ 1,635,910	\$ 1,304,453	\$ 1,404,262	\$ 1,820,357
Plan fiduciary net position as a percentage of the total OPEB liability	-0.939%	-0.802%	-0.714%	-0.808%	-0.404%	0.010%
Covered-employee payroll*	*	*	*	*	*	*
District's net OPEB liability as a percentage of covered-employee payroll	*	*	*	*	*	*

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

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<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	0.236%	0.231%	0.255%	0.227%	0.233%	0.239%	0.241%	0.266%	0.251%
District's proportionate share of the net pension liability	\$ 163,811,075	\$ 105,315,445	\$ 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	<u>82,037,066</u>	<u>52,991,751</u>	<u>127,246,958</u>	<u>111,673,721</u>	<u>122,763,533</u>	<u>130,756,985</u>	<u>110,798,553</u>	<u>94,679,100</u>	<u>88,424,447</u>
Total	\$ 245,848,141	\$ 158,307,196	\$ 374,090,719	\$ 316,365,112	\$ 337,179,084	\$ 351,782,767	\$ 305,427,087	\$ 273,693,909	\$ 234,860,559
District's covered payroll	\$ 135,425,661	\$ 132,067,761	\$ 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	121.0%	79.7%	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	81.2%	87.2%	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, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<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	0.269%	0.283%	0.289%	0.297%	0.284%	0.292%	0.301%	0.305%	0.293%
District's proportionate share of the net pension liability	\$ 92,424,855	\$ 57,509,465	\$ 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	\$ 41,271,116	\$ 40,561,944	\$ 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	223.9%	141.8%	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	69.8%	81.0%	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, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<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	\$ 27,808,292	\$ 22,678,205	\$ 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*	(27,808,292)	(22,678,205)	(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>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 146,582,274	\$ 135,425,661	\$ 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	18.97%	16.75%	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, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<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	\$ 11,931,716	\$ 9,420,501	\$ 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*	(11,931,716)	(9,420,501)	(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>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 47,083,964	\$ 41,271,116	\$ 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	25.34%	22.83%	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, 2023**

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 increased from 2.16% to 3.54% 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 2022 financial reporting was 3.54%, an increase from the rate of 1.38% used for 2021 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. The discount rate changed from 7.15% to 6.90% and the inflation rate changed from 2.50% to 2.30% since the previous measurement for CalPERS.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023, 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			
Classified salaries	\$ 47,615,801	\$ 48,017,583	\$ 401,782
Other outgo			
Excluding transfers of indirect costs	\$ 7,484,043	\$ 7,626,320	\$ 142,277

SUPPLEMENTARY INFORMATION

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
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	\$ 2,732,179	\$ -
Comprehensive Support and Improvement for LEAs	84.010	15438	94,532	-
Subtotal Title I, Part A			<u>2,826,711</u>	<u>-</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	386,186	-
Title III				
Title III, English Learner Student Program	84.365	14346	251,076	-
Title III, Immigrant Education Program	84.365	15146	54,460	-
Subtotal Title III			<u>305,536</u>	<u>-</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	222,057	-
Rehabilitation Services - Vocational Rehabilitation Grants to States				
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	568,932	-
Department of Rehabilitation: Work Incentive Training	84.126A	*	23,992	-
Subtotal Rehabilitation Services - Vocational Rehabilitation Grants to States			<u>592,924</u>	<u>-</u>
Special Education Cluster [1]				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,931,256	426,828
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	913,678	-
ARP IDEA Part B, Sec.611, Local Assistance Private School Individual Service Plans (ISPs)	84.027	10169	20,868	-
ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	26,138	-
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	101,152	-
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	326,562	24,304
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	133,112	11,504
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13682	28,898	1,111
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	3,017	129
Subtotal Special Education Cluster			<u>6,484,681</u>	<u>463,876</u>
IDEA Early Intervention Grants, Part C	84.181	23761	30,148	-
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	5,978,585	-
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	6,995,764	-
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	1,799,815	-
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	77,606	-
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	297,663	-
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	739,164	-
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	55,040	-
Subtotal Education Stabilization Fund Discretionary Grants			<u>15,943,637</u>	<u>-</u>
Total U. S. Department of Education			<u>26,791,880</u>	<u>463,876</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
Child Nutrition Cluster				
School Breakfast Program - Basic	10.553	13525	253,906	-
School Breakfast Program - Needy	10.553	13526	1,591,549	-
National School Lunch Program	10.555	13391	3,865,425	-
USDA Commodities [2]	10.555	*	623,986	-
Supply Chain Assistance Funds	10.555	15655	748,757	-
Subtotal Child Nutrition Cluster			<u>7,083,623</u>	<u>-</u>
Forest Reserve Funds	10.665	10044	6,551	-
Total U. S. Department of Agriculture			<u>7,090,174</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 33,882,054</u>	<u>\$ 463,876</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 AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	6,554.53	6,584.60
Extended Year Special Education	12.56	12.57
Special Education - Nonpublic Schools	6.08	6.43
Total TK/K through Third	6,573.17	6,603.60
Fourth through Sixth		
Regular ADA	4,824.62	4,838.00
Extended Year Special Education	4.89	4.88
Special Education - Nonpublic Schools	6.43	6.44
Total Fourth through Sixth	4,835.94	4,849.32
Seventh through Eighth		
Regular ADA	3,199.00	3,200.87
Extended Year Special Education	3.31	3.31
Special Education - Nonpublic Schools	3.64	3.90
Total Seventh through Eighth	3,205.95	3,208.08
Ninth through Twelfth		
Regular ADA	7,591.14	7,571.20
Extended Year Special Education	7.02	7.02
Special Education - Nonpublic Schools	12.50	12.81
Total Ninth through Twelfth	7,610.66	7,591.03
TOTAL SCHOOL DISTRICT	22,225.72	22,252.03

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2023**

Grade Level	Minutes Requirement	2022-23 Actual Minutes	Number of Days	Status
Kindergarten	36,000	50,400	180	Complied
Grade 1	50,400	50,400	180	Complied
Grade 2	50,400	50,400	180	Complied
Grade 3	50,400	50,400	180	Complied
Grade 4	54,000	54,000	180	Complied
Grade 5	54,000	54,000	180	Complied
Grade 6	54,000	54,000	180	Complied
Grade 7	54,000	59,186	180	Complied
Grade 8	54,000	59,186	180	Complied
Grade 9	64,800	65,180	180	Complied
Grade 10	64,800	65,180	180	Complied
Grade 11	64,800	65,180	180	Complied
Grade 12	64,800	65,180	180	Complied

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2023**

	2024 (Budget)	2023	2022	2021
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 380,079,688	\$ 413,505,641	\$ 346,620,931	\$ 322,373,670
Expenditures And Other Financing Uses	384,057,878	379,882,960	331,756,362	312,721,965
Net change in Fund Balance	\$ (3,978,190)	\$ 33,622,681	\$ 14,864,569	\$ 9,651,705
Ending Fund Balance	\$ 133,099,958	\$ 137,078,148	\$ 102,003,638	\$ 90,187,417
Available Reserves*	\$ 35,880,838	\$ 27,573,812	\$ 18,028,231	\$ 28,331,163
Available Reserves As A Percentage Of Outgo	9.34%	7.26%	5.43%	9.06%
Long-term Liabilities	\$ 431,031,895	\$ 441,260,420	\$ 362,606,354	\$ 558,984,922
Average Daily Attendance At P-2**	21,972	22,226	22,706	25,248

The General Fund ending fund balance has increased by \$46,890,731 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of \$3,978,190. 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 each of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have decreased by \$117,724,502 over the past two years.

Average daily attendance has decreased by 3,022 ADA over the past two years. A further decrease of 254 ADA is anticipated during the 2023-24 fiscal year.

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

**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, 2023**

	Community Services Fund
June 30, 2023, annual financial and budget report fund balance	\$ 276,456
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Capital assets	3,718
Allocation of net pension activity (GASB 68)	(1,413,032)
Net adjustments and reclassifications	<u>(1,409,314)</u>
June 30, 2023, audited financial statement net position	<u>\$ (1,132,858)</u>

See accompanying note to supplementary information.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2023**

	Student Activity Fund	Special Education Pass-Through Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	\$ 3,261,189	\$ -	\$ 5,846,355	\$ 8,338,412	\$ 19,051,088	\$ 12,429	\$ 11,185,084	\$ 47,694,557
Accounts receivable	-	-	55,330	3,917,213	58,907	38	57,736	4,089,224
Due from other funds	-	549,639	444	15,271	-	2	-	565,356
Stores inventory	-	-	-	60,996	-	-	-	60,996
Prepaid expenditures	-	-	12,420	-	-	-	-	12,420
Total Assets	\$ 3,261,189	\$ 549,639	\$ 5,914,549	\$ 12,331,892	\$ 19,109,995	\$ 12,469	\$ 11,242,820	\$ 52,422,553
LIABILITIES								
Accrued liabilities	\$ -	\$ 549,639	\$ 387,528	\$ 401,412	\$ 1,422,168	\$ -	\$ -	\$ 2,760,747
Due to other funds	-	-	304,372	259,440	34,925	12,469	-	611,206
Unearned revenue	-	-	615,613	57,095	-	-	-	672,708
Total Liabilities	-	549,639	1,307,513	717,947	1,457,093	12,469	-	4,044,661
FUND BALANCES								
Non-spendable	-	-	12,420	60,996	-	-	-	73,416
Restricted	3,261,189	-	4,594,616	11,552,949	17,652,902	-	11,242,820	48,304,476
Total Fund Balances	3,261,189	-	4,607,036	11,613,945	17,652,902	-	11,242,820	48,377,892
Total Liabilities and Fund Balances	\$ 3,261,189	\$ 549,639	\$ 5,914,549	\$ 12,331,892	\$ 19,109,995	\$ 12,469	\$ 11,242,820	\$ 52,422,553

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, 2023**

	Student Activity Fund	Special Education Pass-Through Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	\$ -	\$ 463,876	\$ -	\$ 7,083,624	\$ -	\$ -	\$ -	\$ 7,547,500
Other state sources	-	2,385,003	2,472	8,541,714	-	5,530,278	64,164	16,523,631
Other local sources	7,057,828	-	8,074,452	142,554	1,712,673	12,468	12,320,840	29,320,815
Total Revenues	7,057,828	2,848,879	8,076,924	15,767,892	1,712,673	5,542,746	12,385,004	53,391,946
EXPENDITURES								
Current								
Pupil services								
Food services	-	-	-	9,470,691	-	-	-	9,470,691
General administration								
All other general administration	-	-	252,124	237,859	34,774	-	-	524,757
Plant services	-	-	19,464	-	-	-	-	19,464
Facilities acquisition and construction	-	-	48,998	-	1,790,399	-	-	1,839,397
Ancillary services	6,549,467	-	-	-	-	-	-	6,549,467
Community services	-	-	4,994,650	-	-	-	-	4,994,650
Transfers to other agencies	-	2,848,879	-	-	-	-	-	2,848,879
Debt service								
Principal	-	-	-	-	-	-	8,495,000	8,495,000
Interest and other	-	-	-	-	-	-	2,778,358	2,778,358
Total Expenditures	6,549,467	2,848,879	5,315,236	9,708,550	1,825,173	-	11,273,358	37,520,663
Excess (Deficiency) of Revenues Over Expenditures	508,361	-	2,761,688	6,059,342	(112,500)	5,542,746	1,111,646	15,871,283
Other Financing Sources (Uses)								
Transfers out	-	-	-	-	-	(5,542,746)	-	(5,542,746)
Net Financing Sources (Uses)	-	-	-	-	-	(5,542,746)	-	(5,542,746)
NET CHANGE IN FUND BALANCE	508,361	-	2,761,688	6,059,342	(112,500)	-	1,111,646	10,328,537
Fund Balance - Beginning	2,752,828	-	1,845,348	5,554,603	17,765,402	-	10,131,174	38,049,355
Fund Balance - Ending	\$ 3,261,189	\$ -	\$ 4,607,036	\$ 11,613,945	\$ 17,652,902	\$ -	\$ 11,242,820	\$ 48,377,892

See accompanying note to supplementary information.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2023**

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
Barbara Schulman	President	2026
Dr. Edward Wong	Vice President	2024
Suzie R. Swartz	Clerk	2024
Dan Walsh	Member	2026
Amanda Morrell	Member	2024

DISTRICT ADMINISTRATORS

Crystal Turner, Ed. D.
Superintendent

Robert Craven
Assistant Superintendent, Business Services

Liza Zielasko
Assistant Superintendent, Educational Services

Darvin Jackson, Ed. D.
Assistant Superintendent, Human Resources

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the 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, 2023, 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 December 14, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
December 14, 2023

**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***Opinion on Each Major Federal Program***

We have audited Saddleback Valley Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Saddleback Valley Unified School District's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Saddleback Valley Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Saddleback Valley Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for Compliance

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

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

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

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

Other Matters

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

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

Report on Internal Control Over Compliance

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.

Report on Internal Control Over Compliance (continued)

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Christy White, Inc.

San Diego, California
December 14, 2023

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

Governing Board
Saddleback Valley Unified School District
Mission Viejo, California

Report on State Compliance***Opinion on State Compliance***

We have audited Saddleback Valley Unified School District's compliance with the types of compliance requirements described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by 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, 2023, as identified below.

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 the applicable state programs for the year ended June 30, 2023.

Basis for Opinion on State Compliance

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Saddleback Valley Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on state compliance. Our audit does not provide a legal determination of Saddleback Valley Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Saddleback Valley Unified School District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Saddleback Valley Unified School District’s compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Saddleback Valley Unified School District’s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Saddleback Valley Unified School District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Saddleback Valley Unified School District’s internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Saddleback Valley Unified School District’s compliance with the state laws and regulations related to the following items:

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

Auditor’s Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance; 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
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2023-002. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Saddleback Valley Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Saddleback Valley Unified School District’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 14, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(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>Yes</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>
<u>84.425, 84.425U</u>	<u>Education Stabilization Fund Discretionary Grants</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,016,462</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>
Any audit findings disclosed that are required to be reported in accordance with 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</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, 2023**

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, 2023.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

FINDING #2023-001: EDUCATION STABILIZATION FUNDS – EQUIPMENT AND OTHER CAPITAL EXPENDITURES (50000)

Program Names:

Elementary and Secondary School Emergency Relief II (ESSER II) Fund, Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs, and Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss

Assistance Listing Number: 84.425

Pass-Through Agency: California Department of Education (CDE)

Federal Agency: U.S. Department of Education

Criteria: Consistent with 2 CFR section 200.311 (real property), section 200.313 (equipment), and section 200.439 (equipment and other capital expenditures) ESF funds may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by ED or the pass-through entity.

Condition: Through testing of a representative sample of ESF expenditures, we noted that the classroom projector project did not appear to be pre-approved by the California Department of Education (CDE). Each purchase order provided for the purchase and installation of classroom projectors with a per unit cost in excess of \$5,000 (including installation and other ancillary costs).

Context: The condition was identified through the testing of ESF expenditures.

Cause: District oversight.

Effect: The funds spent on these purchases may be subject to review by or return to the awarding agency.

Questioned Costs: \$718,634

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District obtain prior approval from CDE for all capital purchases from the Education Stabilization Fund in excess of \$5,000.

Views of Responsible Officials: See Corrective Action Plan on following page.



Board of Education

Barbara Schulman, President · Dr. Edward Wong, Vice President ·
Suzie R. Swartz, Clerk · Amanda Morrell, Member · Dan Walsh, Member

Crystal Turner, Ed.D.
Superintendent

December 11, 2023

Christy White, Inc.
348 Olive Street
San Diego, CA 92103

Corrective Action Plan to Audit Finding #2023-001:

The District's procedure for purchases utilizing federal funds for goods in excess of \$5,000 are submitted to the California Department of Education prior to purchase for approval. The District utilized COVID relief funds to upgrade classrooms with equipment consistent in the SVI classroom project. While the components of the SVI project are under the \$5,000 threshold for prior approval collectively they are over this threshold. The components being under the \$5,000 threshold resulted in an oversight of the needed preapproval for these purchases.

Fiscal Services is developing a checklist of required steps in the procurement process when federal funds are being considered to ensure prior approval, if needed, is sought prior to purchase. The checklist will include an area where each component is listed to include delivery cost and installation and will include acknowledgement of whether these components collectively create one asset. This will allow other staff reviewing the checklist to determine if preapproval based on cost may be needed. The checklist will require approval of the department head of the requesting department acknowledging understanding of the federal purchasing requirements for capital expenditure as well as, approval of the Director, Fiscal Services and the District's Assistant Superintendent of Business Services.

Sincerely,

Assistant Superintendent, Business Services
Saddleback Valley Unified School District

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

FINDING #2023-002: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, all California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plan at Silverado High School, it was noted that a comprehensive school safety plan was not developed and approved prior to the required deadline of March 1st for the current audit year.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The School District was untimely in adhering to the comprehensive school safety requirements per California Education Code.

Questioned Cost: None. If a school is found to be willfully non-compliant, a fine of \$2,000 may be imposed.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for compliance with the applicable California Education Code.

Corrective Action Plan: Procedures for the comprehensive school safety plan (CSSP) originate from the District Safety Office. Each school site is provided an electronic folder with all documents requiring completion. The site principal works in collaboration with appropriate site staff to complete the CSSP, present it to the school site council for adoption. Following site adoption, the completed CSSP is sent to the District Office. A district office staff member reviews the CSSP to ensure all components are completed appropriately. Beginning with the 2023-24 school year, the District is adding additional District Office approval steps into the comprehensive school safety plan review process. Going forward, the plans are reviewed by the school principal, by the Director of Facilities, Operations, and Construction, their administrative assistant, and finally verified by the Assistant Superintendent of Business Services to ensure completion. The checklist is being updated to include signatures for the Director of Facilities, Operations, and Construction, and the Assistant Superintendent of Business Services.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. In addition, students classified as English learners (EL) must have supporting documentation to indicate that the student is appropriately classified as EL. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: 19 out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only FRPM and non-EL did not have appropriate supporting documentation on file to justify their FRPM designation in CALPADS. To determine the projected audit adjustment, we applied the error rate across this segment of the unduplicated pupil count population for a total audit adjustment of 341.

Effect: The District is not in compliance with applicable State requirements.

Cause: Misclassification of students in the student information system from which CALPADS reporting is derived.

Repeat Finding: This is not a repeat finding.

Questioned Costs: \$209,102

Recommendation: We recommend that the District ensure that there are proper controls over FRPM and EL designations in the student information system in order to strengthen the accuracy of CALPADS reporting. This should include adequate supporting documentation to verify the status of FRPM and EL designations reported in CALPADS.

Corrective Action Plan: Beginning with the 2022-23 school year the District implemented the use of an Income Survey through the student information system Aeries as part of the data validation process for all families. The Income Survey is being used to provide student FRMP eligibility.

Utilizing both the Child Nutrition (Titan) and Aeries systems to capture FRMP data, SVUSD has developed a data validation procedure. The procedure takes FRMP data exports from both systems and validates data used to populate FRMP records for the eligible period into Aeries. Reports are generated from Aeries, and Titan allows data validation and approval before official FRMP data is reported to requesting agencies.

Current Status: Implemented.

MANAGEMENT LETTER

Governing Board
Saddleback Valley School District
Mission Viejo, California

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

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted during our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 14, 2023, on the financial statements of Saddleback Valley Unified School District.

1. Bank Reconciliations

Observation: During our review of bank reconciliations, we noted that reconciliations for District bank accounts are not consistently prepared in a timely manner. In several instances, reconciliations for June 2023 appeared to be prepared and signed by preparer and reviewer as late as November. It was also noted that reconciliations are not being prepared properly, where bank balances should be reconciled to the imprest balances.

Recommendation: In order ensure that the account balances are properly reconciled to the balances reported in the unaudited actuals, preparation and review of bank reconciliations should be incorporated into the District's year-end closing process.

We will review the status of the recommendation outlined above during our next audit engagement.



San Diego, California
December 14, 2023