Santa Ana Unified School District

Financial Statements
June 30, 2020

eidebailly.com

Independent Auditor's Report

To the Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Correction of an Error

As discussed in Note 17 to the financial statements, the District's prior year governmental activities net position has been restated as of June 30, 2019 to correct certain errors noted during our audit. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, budgetary comparison information on page 89, schedule of changes in the District's net OPEB liability and related ratios on page 90, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 91, schedule of the District's proportionate share of the net pension liability on page 92, and the schedule of District contributions on page 94, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Ana Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2021 on our consideration of Santa Ana Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Ana 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 Santa Ana Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 15, 2021

This section of Santa Ana Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Santa Ana Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity. The District's fiduciary activities are reported in the *Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $250,452,273 for the fiscal year ended June 30, 2020, reflecting a decrease of 7.5 percent since June 30, 2019. Of this amount, $(660,698,135) was unrestricted deficit. 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. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	(As Restated) 2019
Assets		
Current and other assets	$ 403,078,473	$ 413,491,899
Capital assets	1,085,845,681	1,061,333,853
Total assets	1,488,924,154	1,474,825,752
Deferred outflows of resources	205,137,777	189,509,127
Liabilities		
Current liabilities	67,509,707	57,909,960
Long-term liabilities	1,310,081,384	1,268,743,890
Total liabilities	1,377,591,091	1,326,653,850
Deferred inflows of resources	66,018,567	66,885,608
Net Position		
Net investment in capital assets	768,342,789	737,181,500
Restricted	142,807,619	153,594,987
Unrestricted (deficit)	(660,698,135)	(619,981,066)
Total net position	$ 250,452,273	$ 270,795,421

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased to $(660,698,135) compared to $(619,981,066).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 4,304,831	$ 3,642,342
Operating grants and contributions	176,290,553	181,087,608
Capital grants and contributions	(2,501,803)	613,527
General revenues		
Federal and State aid not restricted	365,970,260	381,417,885
Property taxes	207,480,738	199,651,626
Other general revenues	14,652,320	20,233,136
Total revenues	766,196,899	786,646,124
Expenses		
Instruction	551,261,540	538,624,588
Pupil services	97,819,331	93,983,538
Administration	36,407,326	37,477,527
Plant services	66,085,737	63,095,583
Interest on long-term liabilities	19,916,219	20,367,345
Other	15,049,894	13,594,157
Total expenses	786,540,047	767,142,738
Change in net position	$ (20,343,148)	$ 19,503,386

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $786,540,047. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $207,480,738 because the cost was paid by those who benefited from the programs ($4,304,831) or by other governments and organizations who subsidized certain programs with grants and contributions ($173,788,750). We paid for the remaining "public benefit" portion of our governmental activities with $380,622,580 in State funds, and with other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 551,261,540	$ 538,624,588	$ (432,278,050)	$ (419,304,623)
Pupil services	97,819,331	93,983,538	(52,836,566)	(44,193,633)
Administration	36,407,326	37,477,527	(34,231,087)	(30,091,410)
Plant services	66,085,737	63,095,583	(64,787,873)	(60,873,467)
Interest on long-term liabilities	19,916,219	20,367,345	(19,916,219)	(20,367,345)
All other functional expenses	15,049,894	13,594,157	(4,396,671)	(6,968,783)
Total	$ 786,540,047	$ 767,142,738	$ (608,446,466)	$ (581,799,261)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $284,422,242, which is a decrease of $30,217,830 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2019	Revenues and Other Sources	Expenditures and Other Uses	June 30, 2020
General Fund	$ 135,334,647	$ 670,284,482	$ 673,163,686	$ 132,455,443
Building Fund	59,453,978	1,145,755	9,007,314	51,592,419
Charter School Fund	1,395,732	4,711,782	4,293,706	1,813,808
Child Development Fund	394,474	9,570,084	8,987,859	976,699
Cafeteria Fund	22,037,256	34,857,967	37,976,394	18,918,829
Deferred Maintenance Fund	7,370,793	4,154,111	6,001,501	5,523,403
Capital Facilities Fund	17,335,575	7,520,585	6,701,088	18,155,072
County School Facilities Fund	24,856,865	213,946	20,633,742	4,437,069
Special Reserve Fund for Capital Outlay Projects	12,202,550	5,655,328	7,884,369	9,973,509
Capital Projects Fund for Blended Component Units	546,331	394,046	187,633	752,744
Bond Interest and Redemption Fund	29,379,862	27,890,001	21,911,331	35,358,532
Debt Service Fund for Blended Component Units	4,332,009	7,650,088	7,517,382	4,464,715
Total	$ 314,640,072	$ 774,048,175	$ 804,266,005	$ 284,422,242

The primary reasons for changes are:

1. The General Fund showed a decrease of $2.9 million.
2. The Building Fund showed a decrease of $7.9 million.
3. The Cafeteria Fund showed a decrease of $3.1 million.
4. The Deferred Maintenance Fund showed a decrease of $1.8 million.
5. The County School Facilities Fund showed a decrease of $20.4 million.
6. The Special Reserve Fund for Capital Outlay Projects shows a decrease of $2.2 million.
7. The Bond Interest and Redemption Fund showed an increase of $6 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2020 (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 89.)

The key differences between the original budget, final budget, and actual results is attributable to:

- Re-allocation of categorical program carryover from the prior year
- Adjusted revenue and expenditures to project spending amounts and carryovers for current year
- Receipt of SB 117 COVID-19 LEA Response Funds
- Spending of Elementary and Secondary Emergency Relief (ESSER) Funds
- Spending of Coronavirus Relief Fund: Learning Loss Mitigation
- Settled negotiation with the California School Employees Association bargaining unit for unit members to be paid time and a half (1.5) of their regular rate pay if they were required to physically report to a job site or an assigned work location, in the event of a school closure due to COVID-19 pandemic
- Settled negotiation with the Santa Ana School Police Officers Association (SASPOA) bargaining unit for 2019-2020 fiscal year for a two percent base wage increase effective July 1, 2019, with no base wage increases for year 2 and 3 of the Agreement

As has been the practice of the District, Santa Ana Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $1,085,845,681 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $24,511,828, or 2.3 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	As Restated 2019
Land and construction in progress	$ 205,781,910	$ 179,613,602
Buildings and improvements	868,853,573	870,882,602
Furniture and equipment	11,210,198	10,837,649
Total	$ 1,085,845,681	$ 1,061,333,853

This year's additions of $26.2 million (see Note 5) included several new construction projects all of which is currently classified as work in progress.

Several capital projects are planned for the 2020-2021 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities other than Other Postemployment Benefits (OPEB) and Pension

At the end of this year, the District had $484,378,256 in long-term liabilities other than OPEB and pension versus $495,476,249 last year. The obligations consisted of:

Table 6

	Governmental Activities	
	2020	2019
General obligation bonds	$ 360,662,410	$ 363,900,352
Premium on issuance	19,989,792	23,180,751
Certificates of participation	64,330,673	66,767,614
Premium on issuance	2,189,137	2,319,185
2005 Qualified zone academy bonds	4,500,000	4,500,000
Construction loan	11,400,054	12,681,027
Career Technical Education facilities program loan	-	153,608
Compensated absences	4,627,547	3,150,221
Supplemental early retirement plan (SERP)	2,904,000	3,872,000
Claims liability	13,774,643	14,951,491
Total	$ 484,378,256	$ 495,476,249

The State limits the amount of general obligation debt that unified school districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $360.7 million is below the statutorily-imposed limit.

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

OPEB and Pension Liabilities

At year-end, the District had $161,519,880 in net OPEB liability versus $140,832,971 last year, an increase of $20,686,909 or 14.7 percent. We present more detailed information regarding our pension liability in Note 10 of the financial statements

At year-end, the District had $664,183,248 in net pension liability versus $632,434,670 last year, an increase of $31,748,578 or 5.0 percent. We present more detailed information regarding our pension liability in Note 14 of the financial statements

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2019-2020 ARE NOTED BELOW:

- Expansion of DataHub with additional data features to support school sites and departments
- Orange County Department of Education Counselor Advocacy award, Katy Castellanos
- ACSA XVII Valuing Diversity Award, Jennifer Cisneros
- Three time National awarding-winning Speech and Debate Team
- Largest group of SAUSD to apply, enroll and attend CSUF and UCI (Santa Ana Partnership Data)
- Enhance partnerships with higher education partners such as UCI, CSUF and SAC to support college admission and persistence including cross training and mentorship, FAFSA trainings
- Chronic absenteeism: CA Dashboard reports the District is 4.1 percent below the State average and below the County average.
- Maintaining a 97 percent attendance rate
- 94.7 percent graduation rate for comprehensive schools (CDE Certified 2019-2020 Four-Year Adjusted Cohort.
- 2019-2020 Grants Funded - $3,663,928
- Expansion of 48 mental health partners within Collaborative to maximize PD to students, staff and families
- Worked collaboratively with Research and Evaluation and Technology Innovation Services to overhaul our Aeries Intervention and Assertive Discipline screens for more accurate data.
- Prop 47 Grant Substance Abuse Service Delivery Expansion to 7 school sites
- Expanded Social emotional learning with development of SEL Sub Committee, SEL framework development, SEL Communication plan, pilot SEL curriculums, infused SEL assessment data into CORE program to identify students struggling and needing support
- Cross division expansion of systems of support integrating protocols and streamlining processes for identification of students needing tiered supports
- Development of COST Wall
- 4^{th} consecutive Distinguished Model SARB Recognition
- Reorganization of Nursing to ensure coverage across the district
- Launch Suicide prevention *WE CARE* initiative and impact of wraparound supports Districtwide. 1st annual WE CARE DAY Feb 2020
- 200+ Intermediate students participated in AppJam+ **-** students worked in a team to create and design a STEM related mobile game application that was presented at a showcase finale event, at UCI.
- 250+ Intermediate students participated in Angels RBI - 10-week long softball and baseball league, including skills clinics at Angel Stadium
- Literacy Programs:
  - K-2^{nd} PALS literacy program <u>expanded</u> from four (4) sites to 17 sites – 93 percent of Kinders who participated met benchmark or expected ROI
  - 4^{th}-12^{th} grades REWARDS launch at 10 sites – scheduled to begin February 2020
- All Engage 360° sites ran three (3) Health & Wellness Campaigns:
  - Move More – Created individual events (i.e. jog-a-thon) to encourage physical activity
  - Eat Healthy – Created PSAs videos on healthy eating
  - Drink Water – Created posters and conducted sugary drink experiments
  - Girls Scout expansion from 19 sites to 27 sites

- Engage 360 Expansion:
  - Launched Kinder 360/Before School program at select 12 sites
  - Expanded the Engage 360 to include 1,300 additional students
  - On-boarded four (4) Field Supervisors to provide additional coaching and support to program sites
  - Trained all staff and rolled out Every Monday Matters curriculum (SEL)
  - Trained all intermediate staff and rolled out Sanford Harmony (SEL) at intermediate sites

Engage 360 Transition – January 1, 2020

- Restructured Engage 360 program to prioritize stakeholder feedback
  - Increased homework assistance and completed during the first rotation
  - Increased student safety during enrichment
  - Increased youth voice and choice
  - Increase enrichment options
- Released a Request for Proposal (RFP) for new enrichment services
  - Recommended seven (7) community organizations received contracts
- Received 21st CCLC grant to expand six (6) Engage 360 sites and 17 summer programs
- Expanded RECESS 360 pilot from one (1) site receiving Recess 360 to six (6) sites –totaling 3,234 Recess 360 hours for the school year. Includes an additional $105,337 in revenue to the Extended Learning department
- Recess 360 services at the sites include, but not limited to:
- Expanded RESTORATIVE PRACTICES pilot from two (2) sites receiving restorative practices (RP) to seven (7) sites –totaling 2,325 RP hours for the school year. Includes an additional $96,909 in revenue to the Extended Learning department

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2020-2021 budget was adopted according to the statute prior to June 30, 2020. The District's revenue and expenditure projections are reflective of the Governor's May Revise Budget Proposal. In considering the District Budget for the 2020-2021 year, the Board of Education and District Management used the following criteria:

Revenues:

1. The District's major source of income is from the Local Control Funding Formula (LCFF). LCFF funding consists of Base, Supplemental, and Concentration grants, as well as Targeted Instructional Improvement Block Grant, Home-to School Transportation add-on programs as well as the Education Protection Account
2. Projected LCFF reduction of 10 percent
3. Projected declining enrollment of -1,310 from 45,213 in 2019-20 to 43,903 in 2020-2021
4. Projected funded ADA of 43,744.05 to calculate LCFF funding
5. Statutory COLA of 0.00 percent
6. Unduplicated count of 86.30 percent
7. Decreased LCFF Transfers to Deferred Maintenance Fund
8. Increased Federal funding including a one-time ESSER funding

9. Increased Other State funding including a one-time State CARES Act Prop 98 funding
10. Decreased Other Local funding
11. Decreased contribution to Ongoing and Major Maintenance Account due to the exclusion of the STRS on-behalf payments from the three percent calculation of the Total General Fund Expenditures, including other financing transfers out and other uses
12. Mandated Block Grant funding
13. Unrestricted and Restricted Lottery funding

Expenditures:

1. Step and column increase
2. Full-year cost of vacant positions
3. Increased costs for STRS/PERS and Health and Welfare
4. 0.00 percent for Retiree Benefits rate effective 2020-2021. The District will utilize the Retiree Benefits Fund to pay our retiree health benefit costs for a period of five years
5. Five percent reduction in school site discretionary funding
6. 10 percent reduction in district's department discretionary funding
7. Natural attrition of 44 teacher FTEs (not backfilled)
8. Increased Special Education costs
9. Adoption of Social Studies textbooks for elementary and secondary which was deferred from 2019-2020
10. Removal of one-time expenditures
11. Removal of Positive School Climate Model Grant which was expired as of June 30, 2020
12. Removal of carryover, however, it will be budgeted when the actual amounts are known
13. One-time interfund transfers from Self Insurance Fund
14. Removal of interfund transfers to Special Reserve Fund for Other Than Capital Outlay Projects for a one-time Sprint EBS lease

Staffing ratios:

	Staffing Ratio	Enrollment
Transitional Kindergarten	25:1	630
Kindergarten	25:1	2,694
Grade one	30:1	2,848
Grade two	30:1	2,887
Grade three	30:1	3,091
Grades four through five	31:1	6,194
Grades six through eight	38:1	10,118
Grades nine through twelve	38:1	14,507

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 Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322.

	Governmental Activities
Assets	
Deposits and investments	$ 300,314,270
Receivables	99,269,153
Prepaid expenses	240,970
Stores inventories	3,254,080
Capital assets not depreciated	205,781,910
Capital assets, net of accumulated depreciation	880,063,771
Total assets	1,488,924,154
Deferred Outflows of Resources	
Deferred charge on refunding	390,481
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	27,862,573
Deferred outflows of resources related to pensions	176,884,723
Total deferred outflows of resources	205,137,777
Liabilities	
Accounts payable	55,954,779
Accrued interest payable	4,301,829
Unearned revenue	7,253,099
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	29,580,356
Long-term liabilities other than OPEB and pensions due in more than one year	454,797,900
Net other postemployment benefits liability	161,519,880
Aggregate net pension liability	664,183,248
Total liabilities	1,377,591,091
Deferred Inflows of Resources	
Deferred amount on refunding	936,485
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	482,980
Deferred inflows of resources related to pensions	64,599,102
Total deferred inflows of resources	66,018,567
Net Position	
Net investment in capital assets	768,342,789
Restricted for	
Debt service	35,521,418
Capital projects	24,249,794
Educational programs	23,871,293
Other activities	59,165,114
Unrestricted (deficit)	(660,698,135)
Total net position	$ 250,452,273

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Governmental Activities
Governmental Activities					
Instruction	$ 470,526,267	$ 1,046,902	$ 105,447,295	$ (2,501,803)	$ (366,533,873)
Instruction-related activities					
Supervision of instruction	29,585,879	129,458	11,053,641	-	(18,402,780)
Instructional library, media, and technology	4,887,021	25,544	413,253	-	(4,448,224)
School site administration	46,262,373	46,901	3,322,299	-	(42,893,173)
Pupil services					
Home-to-school transportation	13,098,321	-	-	-	(13,098,321)
Food services	39,562,093	678,541	33,094,905	-	(5,788,647)
All other pupil services	45,158,917	98,468	11,110,851	-	(33,949,598)
Administration					
Data processing	5,942,789	-	-	-	(5,942,789)
All other administration	30,464,537	35,245	2,140,994	-	(28,288,298)
Plant services	66,085,737	16,644	1,281,220	-	(64,787,873)
Ancillary services	8,681,167	3,737	330,744	-	(8,346,686)
Community services	297,801	9	11	-	(297,781)
Enterprise services	252,379	3,871	173,485	-	(75,023)
Interest on long-term liabilities	19,916,219	-	-	-	(19,916,219)
Other outgo	5,818,547	2,219,511	7,921,855	-	4,322,819
Total governmental activities	$ 786,540,047	$ 4,304,831	$ 176,290,553	$ (2,501,803)	(608,446,466)
General revenues and subventions					
Property taxes, levied for general purposes					176,767,309
Property taxes, levied for debt service					26,027,213
Taxes levied for other specific purposes					4,686,216
Federal and State aid not restricted to specific purposes					365,970,260
Interest and investment earnings					4,151,677
Miscellaneous					10,500,643
Subtotal, general revenues					588,103,318
Change in Net Position					(20,343,148)
Net Position - Beginning, as restated (Note 17)					270,795,421
Net Position - Ending					$ 250,452,273

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 92,240,479	$ 56,039,969	$ 102,196,579	$ 250,477,027
Receivables	92,933,412	56,309	4,878,113	97,867,834
Due from other funds	1,064,875	200,284	1,844,688	3,109,847
Prepaid expenditures	87,653	-	759	88,412
Stores inventories	1,833,362	-	1,420,718	3,254,080
Total assets	$ 188,159,781	$ 56,296,562	$ 110,340,857	$ 354,797,200
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 45,261,180	$ 4,678,337	$ 5,235,376	$ 55,174,893
Due to other funds	5,569,028	25,806	2,352,132	7,946,966
Unearned revenue	4,874,130	-	2,378,969	7,253,099
Total liabilities	55,704,338	4,704,143	9,966,477	70,374,958
Fund Balances				
Nonspendable	2,071,015	-	1,427,425	3,498,440
Restricted	21,080,786	51,592,419	85,107,696	157,780,901
Committed	46,748,518	-	5,523,403	52,271,921
Assigned	18,404,952	-	8,315,856	26,720,808
Unassigned	44,150,172	-	-	44,150,172
Total fund balances	132,455,443	51,592,419	100,374,380	284,422,242
Total liabilities and fund balances	$ 188,159,781	$ 56,296,562	$ 110,340,857	$ 354,797,200

See Notes to Financial Statements

Total Fund Balance - Governmental Funds		$ 284,422,242
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 1,445,954,185	
Accumulated depreciation is	(360,108,504)	
Net capital assets		1,085,845,681
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(4,301,829)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		41,673,710
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	390,481	
Net other postemployment benefits	27,862,573	
Net pension liability	176,884,723	
Total deferred outflows of resources to pensions		205,137,777
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Deferred amount on refunding	(936,485)	
Net other postemployment benefits	(482,980)	
Net pension liability	(64,599,102)	
Total deferred inflows of resources to pensions		(66,018,567)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(664,183,248)

The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (161,519,880)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	$ 284,656,035	
Premium on issuance of bonds	19,989,792	
Certificates of participation	46,567,033	
Premium on issuance of certificates	2,189,137	
Qualified zone academy bonds	4,500,000	
Construction loan	11,400,054	
Compensated absences (vacations)	4,627,547	
Supplemental early retirement plan (SERP)	2,904,000	
In addition, the District has issued 'capital appreciation' general obligation bonds and certificates of participation. The accretion of interest on those bonds and certificates to date is the following		
Accumulated accretion on general obligation bonds	76,006,375	
Accumulated accretion on certificates of participation	17,763,640	
Total long-term liabilities		(470,603,613)
Total Net Position - Governmental Activities		$ 250,452,273

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 519,180,967	$ -	$ 7,814,434	$ 526,995,401
Federal sources	41,371,903	-	32,044,762	73,416,665
Other State sources	93,459,373	-	12,800,741	106,260,114
Other local sources	16,272,239	1,145,755	38,928,503	56,346,497
Total revenues	670,284,482	1,145,755	91,588,440	763,018,677
Expenditures				
Current				
Instruction	422,384,749	-	10,513,855	432,898,604
Instruction-related activities				
Supervision of instruction	26,420,486	-	708,108	27,128,594
Instructional library, media, and technology	4,654,193	-	510	4,654,703
School site administration	43,263,769	-	893,463	44,157,232
Pupil services				
Home-to-school transportation	13,068,964	-	-	13,068,964
Food services	1,916,445	-	36,800,779	38,717,224
All other pupil services	40,864,141	-	649,749	41,513,890
Administration				
Data processing	5,991,445	-	-	5,991,445
All other administration	27,933,889	-	754,806	28,688,695
Plant services	58,789,909	51,719	735,450	59,577,078
Ancillary services	8,409,852	-	23,505	8,433,357
Community services	284,464	-	-	284,464
Other outgo	5,818,547	-	-	5,818,547
Enterprise services	1,104	-	194,652	195,756
Facility acquisition and construction	7,874,249	8,955,589	35,689,638	52,519,476
Debt service				
Principal	153,608	-	17,911,130	18,064,738
Interest and other	6,157	-	11,517,583	11,523,740
Total expenditures	667,835,971	9,007,308	116,393,228	793,236,507
Excess (Deficiency) of Revenues over Expenditures	2,448,511	(7,861,553)	(24,804,788)	(30,217,830)
Other Financing Sources (Uses)				
Transfers in	-	-	11,029,498	11,029,498
Transfers out	(5,327,715)	(6)	(5,701,777)	(11,029,498)
Net financing sources (uses)	(5,327,715)	(6)	5,327,721	-
Net Change in Fund Balances	(2,879,204)	(7,861,559)	(19,477,067)	(30,217,830)
Fund Balances - Beginning	135,334,647	59,453,978	119,851,447	314,640,072
Fund Balances - Ending	$ 132,455,443	$ 51,592,419	$ 100,374,380	$ 284,422,242

See Notes to Financial Statements

Total Net Change in Fund Balances - Governmental Funds		$ (30,217,830)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 51,305,487	
Depreciation expense	(26,793,659)	
Net expense adjustment		24,511,828
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amounts earned by $968,000. Vacation earned was more than the amounts used by $1,477,326.		(509,326)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(33,867,558)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(2,086,567)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances		
Amortization of debt premium	3,321,007	
Amortization of deferred charge/amount on refunding	14,329	
Combined adjustment		3,335,336

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities		
General obligation bonds	$ 12,580,000	
Certificates of participation	4,050,157	
Construction loan	1,280,973	
CTE facilities program loan	153,608	
Combined adjustment		$ 18,064,738
Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the two factors. First, accrued interest on the general obligation bonds and certificates of participation increased by $772,541, and second, $10,955,274 of additional interest was accreted on the District's capital appreciation general obligation bonds and certificates of participation.		(11,727,815)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net change of the Internal Service Fund is reported with governmental activities.		12,154,046
Change in net position of governmental activities		$ (20,343,148)

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 49,837,243
Receivables	1,401,319
Due from other funds	4,851,192
Prepaid expenses	152,558
Total current assets	56,242,312
Liabilities	
Current liabilities	
Accounts payable	779,886
Due to other funds	14,073
Current portion of long-term liabilities	4,124,944
Total current liabilities	4,918,903
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	9,649,699
Net Position	
Restricted	$ 41,673,710

	Governmental Activities - Internal Service Fund
Operating Revenues	
Local and intermediate sources	$ 24,453,809
Operating Expenses	
Payroll costs	6,287,390
Supplies and materials	120,087
Facility rental	56,107
Other operating cost	6,669,775
Total operating expenses	13,133,359
Operating income	11,320,450
Nonoperating Revenues	
Interest income	833,596
Change in Net Position	12,154,046
Total Net Position - Beginning	29,519,664
Total Net Position - Ending	$ 41,673,710

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities	
Cash receipts from customers	$ 21,675,976
Other operating cash receipts	35,588
Cash payments to other suppliers of goods or services	(1,045,418)
Cash payments to employees for services	(6,286,211)
Other operating cash payments	(7,846,623)
Net cash from operating activities	6,533,312
Cash Flows from Investing Activities	
Interest on investments	869,827
Net Increase in Cash and Cash Equivalents	7,403,139
Cash and Cash Equivalents - Beginning	42,434,104
Cash and Cash Equivalents - Ending	$ 49,837,243
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 11,320,450
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Receivables	(572,989)
Due from other funds	(2,169,256)
Prepaid expenditures	(152,558)
Accounts payable	(716,666)
Due to other fund	1,179
Claims liability	(1,176,848)
Net Cash from Operating Activities	$ 6,533,312

	Agency Funds
Assets	
Deposits and investments	$ 2,981,516
Liabilities	
Due to student groups	$ 1,763,837
Due to bondholders	1,217,679
Total liabilities	$ 2,981,516

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Santa Ana Unified School District (the District) was organized in 1888 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 36 elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and three alternative high schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santa Ana Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Ana Unified School District Public Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation 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 liabilities.

The Corporation's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation and qualified zone academy bonds issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

On August 24, 2004, the District voted to establish Community Facilities District (CFD) No. 2004-1 and to authorize the levy of special taxes. The purpose of the agreement is to provide for the issuance of certain debt obligations to provide and finance the design, acquisition, and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD is authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. The CFD financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of the District or component unit and is not included in the District-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Academy, El Sol Santa Ana Science and Arts Academy, NOVA Academy Early College High, Orange County School of the Arts, and Advanced Learning Academy pursuant to *Education Code* Section 47605. The Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Academy, El Sol Santa Ana Science and Arts Academy, NOVA Academy Early College High, Orange County School of the Arts are direct-funded and are not considered component units of the District. The Charter Schools are independent of the District, but subject to periodic charter renewal by the District. The Advanced Learning Academy is operated by the District, and its financial activity is presented in the Charter School Fund.

Basis of Presentation Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

As a result, the General Fund reflects an increase in fund balance of $1,544,520.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing Districts General Fund.

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

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

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

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

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

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

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

- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under GAAP.

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

- **Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a property and liability, dental, vision, and workers' compensation self-insurance fund that is accounted for in an internal service fund.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the activities of the District and for each governmental function and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from the cafeteria special revenue fund and the internal service fund, and the restrictions on their use.

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 and $20,000 for federally funded and non-federally funded assets, respectively. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20; years, and vehicles, eight years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The compensated absence liability will be paid by the following funds: General Fund, Charter School Fund, Child Development Fund, Cafeteria Fund, and Building Fund.

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

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide 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 liabilities of the governmental funds.

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of Net Position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred amounts on refunding of debt, for pension related items, and for OPEB related items. The deferred amount on refunding resulted from the excess of the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between contributions and the District’s proportionate share of contributions, differences between expected and actual experiences, and differences between expected and actual earnings on investments.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

Stabilization Arrangement

In fiscal year 2010-2011, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, seven percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. At June 30, 2020, $46,748,518 of the fund balance for the General Fund is reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $142,807,619 of restricted net position, which is restricted by enabling legislation.

Operating Revenues and Expenses

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

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 column of the statement of activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District’s financial statements have not yet been determined.

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

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

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

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

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

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

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the 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 government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) 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.

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

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	$ 300,314,270
Fiduciary funds	2,981,516
Total deposits and investments	$ 303,295,786

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 7,570,110
Cash in revolving	855,948
Investments	294,869,728
Total deposits and investments	$ 303,295,786

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds and Notes	N/A	None	None
Registered State Bonds and Notes	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Agency Securities	N/A	None	None
Farmer Credit System Bonds and Notes	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Federtal Home Loan Bank System Obligations	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Obligations	N/A	None	None
U.S. Maritime Administration Obligations	N/A	None	None
U.S. Department of Housing and Urban Development Bonds and Notes	N/A	None	None
Money Market Funds	N/A	None	None
Deposit Accounts, Time Certificates of Deposit, Negotiable Certificates of Deposit	180 days	None	None
Commercial Paper	270 days	None	None
Federal Funds and Bankers Acceptance	365 days	None	None
Repurchase Agreement	30 days	None	None
Investment Agreement	N/A	None	None
Prefunded Municipal Bonds	N/A	None	None
State Investment Fund	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Reported Amount	Average Maturity in Days/ Maturity Date
Orange County Treasury Investment Pool	$ 290,469,001	266 days
Dreyfus Institutional Treasury & Agency Cash Advantage Fund	140,457	45 days
Invesco Government and Agency Money Market Fund	503	38 days
Santander UK plc	4,259,767	10/27/20
Total	$ 294,869,728	

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. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the Orange County Treasury Investment Pool are not required to be rated nor have they been rated. The investments in Dreyfus Institutional Treasury & Agency Cash Advantage Fund, Invesco Government and Agency Money Market Fund, and Santander UK plc have been rated Aaa-mf, Aaa-mf, and P-1, respectively, by Moody's rating service as of June 30, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of $6,671,651 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in Santander UK plc of $4,259,767, the District has a custodial credit risk exposure of $4,259,767 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Fair Value Measurements

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

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

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

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

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs
Dreyfus Institutional Treasury & Agency Cash Advantage Fund	$ 140,457	$ 140,457
Invesco Government and Agency Money Market Fund	503	503
Santander UK plc	4,259,767	4,259,767
Total	$ 4,400,727	$ 4,400,727

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

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 17,026,484	$ -	$ 2,301,362	$ -	$ 19,327,846
State Government					
LCFF apportionment	65,383,789	-	263,870	-	65,647,659
Categorical aid	5,369,782	-	1,591,440	-	6,961,222
Lottery	2,090,204	-	17,101	-	2,107,305
Local Government					
Interest	904,261	56,309	136,084	49,089	1,145,743
Other LEA	1,320,486	-	-	-	1,320,486
Other Local Sources	838,406	-	568,256	1,352,230	2,758,892
Total	$ 92,933,412	$ 56,309	$ 4,878,113	$ 1,401,319	$ 99,269,153

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019 as Restated	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 157,217,980	$ -	$ -	$ 157,217,980
Construction in progress	22,395,622	49,287,006	(23,118,698)	48,563,930
Total capital assets not being depreciated	179,613,602	49,287,006	(23,118,698)	205,781,910
Capital Assets Being Depreciated				
Land improvements	115,270,384	2,161,329	-	117,431,713
Buildings and improvements	1,053,675,880	21,012,629	-	1,074,688,509
Furniture and equipment	46,088,832	1,963,221	-	48,052,053
Total capital assets being depreciated	1,215,035,096	25,137,179	-	1,240,172,275
Total capital assets	1,394,648,698	74,424,185	(23,118,698)	1,445,954,185
Less Accumulated Depreciation				
Land improvements	(42,629,102)	(4,278,970)	-	(46,908,072)
Buildings and improvements	(255,434,560)	(20,924,017)	-	(276,358,577)
Furniture and equipment	(35,251,183)	(1,590,672)	-	(36,841,855)
Total accumulated depreciation	(333,314,845)	(26,793,659)	-	(360,108,504)
Governmental activities capital assets, net	$ 1,061,333,853	$ 47,630,526	$ (23,118,698)	$ 1,085,845,681

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 19,398,609
Supervision of instruction	1,286,096
All other pupil services	1,473,651
All other administration	1,848,762
Plant services	2,786,541
Total depreciation expenses governmental activities	$ 26,793,659

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From				
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 14,016	$ 1,036,786	$ 14,073	$ 1,064,875
Building Fund	-	-	200,284	-	200,284
Non-Major Governmental Funds	1,440,554	10	404,124	-	1,844,688
Internal Service Fund	4,128,474	11,780	710,938	-	4,851,192
Total	$ 5,569,028	$ 25,806	$ 2,352,132	$ 14,073	$ 7,961,039

A balance of $199,866 due to the General Fund from the Charter School Non-Major Governmental Fund resulted from the reimbursement of operating costs.

A balance of $245,491 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from the reimbursement of operating costs.

A balance of $589,310 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of operating costs.

A balance of $1,384,315 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from allocation of in-lieu property taxes and various categorical funds.

A balance of $4,128,474 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

A balance of $589,904 due to the Internal Service Fund from the Cafeteria Non-Major Governmental Fund resulted from insurance premiums.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

	Transfer From			
Transfer To	General Fund	Building Fund	Non-Major Governmental Fund	Total
Non-Major Governmental Funds	$ 5,327,715	$ 6	5,701,777	$ 11,029,498

The General Fund transferred to the Charter School Non-Major Governmental Fund for special education and allocation of various categorical funds.	$ 257,380
The General Fund transferred to the Child Development Non-Major Governmental Fund for reimbursement of operating costs.	49,977
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for LCFF income verification costs.	7,808
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for savings resulting from the solar energy project.	1,350,006
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.	3,662,544
The Building Fund transferred to the Capital Project Non-Major Governmental Fund for Blended Component Units for reimbursement of project costs.	6
The Special Reserve Fund for Capital Outlay Projects transferred to the County School Facilities Non-Major Governmental Fund for reimbursement of project costs.	2,715,748
The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for future debt service payments.	1,429,327
The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for the reimbursement of interest payment on lease.	1,556,702
Total	$ 11,029,498

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 16,496,060	$ 51,365	$ 827,551	$ 672,532	$ 18,047,508
LCFF apportionment	19,884,469	-	-	-	19,884,469
Books and supplies	1,234,153	-	397,709	7,979	1,639,841
Services and other operating payables	5,314,292	2,081	179,143	99,375	5,594,891
Construction	528,820	4,624,891	3,786,754	-	8,940,465
Due to other LEAs	1,517,274	-	-	-	1,517,274
Vendor payables	286,112	-	44,219	-	330,331
Total	$ 45,261,180	$ 4,678,337	$ 5,235,376	$ 779,886	$ 55,954,779

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 2,206,649	$ -	$ 2,206,649
State categorical aid	1,100,769	2,378,969	3,479,738
Other local	1,566,712	-	1,566,712
Total	$ 4,874,130	$ 2,378,969	$ 7,253,099

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 363,900,352	$ 9,342,058	$ (12,580,000)	$ 360,662,410	$ 19,940,000
Premium on issuance	23,180,751	-	(3,190,959)	19,989,792	-
Certificates of participation	66,767,614	1,613,216	(4,050,157)	64,330,673	4,153,122
Premium on issuance	2,319,185	-	(130,048)	2,189,137	-
2005 Qualified zone academy bonds	4,500,000	-	-	4,500,000	-
Construction loan	12,681,027	-	(1,280,973)	11,400,054	1,362,290
Career Technical Education facilities program loan	153,608	-	(153,608)	-	-
Compensated absences	3,150,221	1,477,326	-	4,627,547	-
Supplemental early retirement plan (SERP)	3,872,000	-	(968,000)	2,904,000	-
Claims liability	14,951,491	2,948,096	(4,124,944)	13,774,643	4,124,944
Total	$ 495,476,249	$ 15,380,696	$ (26,478,689)	$ 484,378,256	$ 29,580,356

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made by the Debt Service Fund for Blended Component Units. Construction loan will be paid by the Special Reserve Fund for Capital Outlay Projects. Career Technical Education facilities program loan will be paid by the General Fund. The compensated absences will be paid by the following funds: General Fund, Charter School Fund, Child Development Fund, Cafeteria Fund, and Building Fund. The supplemental early retirement plan (SERP) will be paid by the General Fund. The claims liability is paid from the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Accreted	Redeemed	Bonds Outstanding June 30, 2020
10/30/02	08/01/32	2.68-5.53%	$ 50,828,156	$ 40,648,419	$ 2,145,752	$ (3,515,000)	$ 39,279,171
08/06/08	08/01/33	3.50-5.51%	99,997,856	16,681,366	1,605,259	(3,000,000)	15,286,625
11/12/09	08/01/29	3.00-4.25%	49,775,000	2,395,000	-	(2,395,000)	-
11/20/09	08/01/47	6.54-7.337%	34,861,114	68,792,580	5,354,034	-	74,146,614
11/20/09	09/15/26	5.91%	19,240,000	19,240,000	-	-	19,240,000
12/02/10	08/01/20	3.00-5.00%	8,591,011	3,892,987	237,013	(1,970,000)	2,160,000
12/02/10	08/01/28	6.45%	17,535,000	17,535,000	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	19,775,000	-	-	19,775,000
12/02/10	08/01/22	2.50-5.00%	12,290,000	5,320,000	-	(1,250,000)	4,070,000
09/19/12	08/01/32	2.00-3.40%	19,720,000	18,025,000	-	(255,000)	17,770,000
04/18/18	08/01/33	3.00-5.00%	66,985,000	65,630,000	-	(195,000)	65,435,000
04/04/19	08/01/48	3.00-5.00%	60,000,000	60,000,000	-	-	60,000,000
04/04/19	08/01/29	3.00-5.00%	25,965,000	25,965,000	-	-	25,965,000
				$ 363,900,352	$ 9,342,058	$ (12,580,000)	$ 360,662,410

1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued capital appreciation bonds in the amount of $50,828,156 (accreting to $110,565,000 at maturity) in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields ranging from 2.68 to 5.53 percent. At June 30, 2020, the principal balance outstanding was $39,279,171 (including accreted interest to date).

2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued $94,235,000 in current interest bonds and $5,762,856 in capital appreciation bonds (accreting to $22,700,000 at maturity) with an original premium of $6,022,280. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2033, with interest rate yields ranging from 3.50 to 5.51 percent. At June 30, 2020, the principal balance outstanding was $15,286,625 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2020, was $1,204,458.

2009 General Obligation Refunding Bonds

On November 12, 2009, the District issued $49,775,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $46,220,000 of the District's outstanding Election of 1999, General Obligation Bond, Series 2000. The bonds have a final maturity to occur on August 1, 2029, with interest rate yields ranging from 3.0 to 4.25 percent. As of June 30, 2020, the 2009 General Obligation Refunding Bonds were fully defeased.

2008 General Obligation Bonds, Series B

On November 20, 2009, the District issued capital appreciation bonds in the amount of $34,861,114 (accreting to $418,255,000 at maturity) with an original premium of $1,809,422. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2047, with interest rate yields ranging from 6.54 to 7.337 percent. At June 30, 2020, the principal balance outstanding was $74,146,614 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2020, was $1,309,452.

2008 General Obligation Bonds, Series C

On November 20, 2009, the District issued $19,240,000 in qualified school construction bonds under the provisions of the American Recovery and Reinvestment Act of 2009. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on September 15, 2026, with an interest rate yield of 5.91 percent. At June 30, 2020, the principal balance outstanding was $19,240,000.

2008 General Obligation Bonds, Series D, Series E, Series F

On December 2, 2010, the District issued $6,445,000 in current interest bonds and $2,146,011 (accreting to $5,875,000 at maturity) in capital appreciation bonds with Series D. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2020, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2020, the principal balance outstanding was $2,160,000 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2020 was $236,314.

On December 2, 2010, the District issued $17,535,000 in current interest bonds with Series F. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2028, with an interest rate yield of 6.45 percent. The District has designated the Series F Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2020, the principal balance outstanding was $17,535,000.

On December 2, 2010, the District issued $19,775,000 in current interest bonds with Series E. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2041, with interest rate yields ranging from 6.80 to 7.10 percent. The District has designated the Series E Bonds as "Build America Bonds" under Section 55AA of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2020, the principal balance outstanding was $19,775,000.

2010 General Obligation Refunding Bonds

On December 2, 2010, the District issued $12,290,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $12,300,000 of the District's outstanding Election of 1999, General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2022, with interest rate yields ranging from 2.50 to 5.00 percent. At June 30, 2020, the principal balance outstanding was $4,070,000. Unamortized premium received on the bonds as of June 30, 2020 was $191,375.

2012 General Obligation Refunding Bonds

On September 19, 2012, the District issued $19,720,000 in current interest bonds. The bonds were issued for the purpose of refunding $19,050,000 of the District's outstanding 1999 General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields ranging from 2.00 to 3.40 percent. At June 30, 2020, the principal balance outstanding was $17,770,000.

2018 General Obligation Refunding Bonds

On April 18, 2018, the District issued $66,985,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $94,235,000 of the District's outstanding Election of 2008, General Obligation Bonds, Series A. The bonds have a final maturity to occur on August 1, 2033, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2020, the principal balance outstanding was $65,435,000. Unamortized premium received on the bonds as of June 30, 2020 was $9,852,592.

2018 General Obligation Bonds, 2019 Series A

On April 4, 2019, the District issued $60,000,000 in current interest bonds. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities. The bonds have a final maturity to occur on August 1, 2048, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2020, the principal balance outstanding was $60,000,000. Unamortized premium received on the bonds as of June 30, 2020, was $3,170,261.

2019 General Obligation Refunding Bonds

On April 4, 2019, the District issued $25,965,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $49,775,000 of the District's outstanding 2009 General Obligation Refunding Bonds. The refunding resulted in a cumulative cash flow savings of $22,787,783 over the life of the new debt and an economic gain of $3,806,348 based on the difference between present value of the existing debt service requirements and the new debt service requirements discounted at 1.66 percent. The bonds have a final maturity to occur on August 1, 2029, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2020, the principal balance outstanding was $25,965,000. Unamortized premium received on the bonds as of June 30, 2020 was $4,025,340.

Debt Service Requirements to Maturity

The bonds mature through 2049 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest at Maturity	Total
2021	$ 19,706,000	$ 234,000	$ 10,010,499	$ 29,950,499
2022	18,589,138	770,862	9,628,191	28,988,191
2023	12,412,313	1,317,687	9,328,265	23,058,265
2024	12,299,187	1,855,813	9,167,059	23,322,059
2025	12,458,912	2,391,088	9,003,721	23,853,721
2026-2030	97,276,866	8,517,086	36,415,513	142,209,465
2031-2035	74,418,339	30,712,025	17,220,395	122,350,759
2036-2040	41,188,106	74,095,377	10,225,950	125,509,433
2041-2045	42,864,527	97,345,059	5,309,290	145,518,876
2046-2049	29,449,022	71,913,694	1,421,400	102,784,116
Total	$ 360,662,410	$ 289,152,691	$ 117,730,283	$ 767,545,384

Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2019	Accreted	Redeemed	Outstanding June 30, 2020
10/1/99	04/01/36	3.60-6.25%	$ 17,691,700	$ 25,672,614	$ 1,613,216	$ (2,370,157)	$ 24,915,673
12/5/12	12/01/35	4.25-5.20%	30,000,000	22,445,000	-	(1,275,000)	21,170,000
4/25/18	04/01/37	3.50-5.00%	19,165,000	18,650,000	-	(405,000)	18,245,000
				$ 66,767,614	$ 1,613,216	$ (4,050,157)	$ 64,330,673

1999 Certificates of Participation

On October 1, 1999, the Corporation issued the 1999 Certificates of Participation in the amount of $17,691,700 with interest rate yields ranging from 3.60 to 6.25 percent. The certificates have a final maturity to occur on April 1, 2036. These certificates were issued for the construction of two elementary schools. At June 30, 2020, the principal balance outstanding was $24,915,673, including accreted interest on the capital appreciation certificates.

2012 Certificates of Participation

On December 5, 2012, the Corporation issued the 2012 Certificates of Participation in the amount of $30,000,000, pursuant to a lease agreement with the District and the Santa Ana Unified School District Public Facilities Corporation, with interest rate yields ranging from 4.25 to 5.20 percent. The certificates have a final maturity to occur on December 1, 2035. The certificates were issued to implement certain District's facilities projects. At June 30, 2020, the principal balance outstanding was $21,170,000.

2018 Refunding Certificates of Participation

On April 25, 2018, the Corporation issued the 2018 Refunding Certificates of Participation in the amount of $19,165,000 with interest rate yields ranging from 3.5 to 5.0 percent. The certificates have a have a final maturity to occur on April 1, 2037. The certificates were issued to refund the 2007 Certificates of Participation. At June 30, 2020, the principal balance outstanding was $18,245,000. Unamortized premium received on the certificates of participation as of June 30, 2020 was $2,189,137.

Debt Service Requirements to Maturity

The certificates of participation mature through 2037 as follows:

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2021	$ 4,009,444	$ 143,678	$ 1,840,030	$ 5,993,152
2022	3,972,737	287,649	1,764,024	6,024,410
2023	3,949,953	432,520	1,686,555	6,069,028
2024	3,897,170	577,830	1,607,124	6,082,124
2025	3,852,542	727,508	1,527,230	6,107,280
2026-2030	20,343,104	5,852,917	6,295,863	32,491,884
2031-2035	18,188,892	5,177,504	3,250,325	26,616,721
2036-2037	6,116,831	288,169	312,810	6,717,810
Total	$ 64,330,673	$ 13,487,775	$ 18,283,961	$ 96,102,409

Qualified Zone Academy Bonds

In October 2005, the District issued $4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. The annual base rental payment of $230,810 to begin October 15, 2005, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the $4,500,000 certificates upon maturity on October 26, 2021. At June 30, 2020, the principal balance outstanding was $4,500,000.

Construction Loan

In December 2016, the District obtained a long-term loan to fund various construction and modernization projects. The loan will mature on December 1, 2026, with interest rate of 2.29 percent. At June 30, 2020, the outstanding balance on the loan was $11,400,054.

Future payments are as follows:

Year Ending June 30,	Principal	Current Interest	Total
2021	$ 1,362,290	$ 245,463	$ 1,607,753
2022	1,453,749	213,219	1,666,968
2023	1,545,313	178,880	1,724,193
2024	1,636,983	142,443	1,779,426
2025	1,698,618	104,250	1,802,868
2026-2027	3,703,101	85,969	3,789,070
Total	$ 11,400,054	$ 970,224	$ 12,370,278

Career Technical Education Facilities Program Loan

The District obtained a long-term loan to fund various startup costs of the career technical education program. As of June 30, 2020, the loan was fully paid.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $4,627,547.

Supplemental Early Retirement Plan

The District offered a supplemental early retirement incentive plan through the Public Agency Retirement System (PARS) in a prior year. The plan was offered to eligible employees who retired on or before June 30, 2018. The District purchased an annuity through PARS for the employees. Benefit payments are scheduled to be paid over 5 years beginning July 1, 2018. Future payments are as follows:

Year Ending June 30,	Total
2021	$ 968,000
2022	968,000
2023	968,000
Total	$ 2,904,000

Claims Liability

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of $13,774,643 were discounted at a rate of 0.5 percent and were accepted as estimated by the District's administrator. See Note 13 for additional details.

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30,2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 158,246,002	$ 27,862,573	$ 482,980	$ 24,150,520
Medicare Premium Payment (MPP) Program	3,273,878	-	-	(19,090)
Total	$ 161,519,880	$ 27,862,573	$ 482,980	$ 24,131,430

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the Santa Ana Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is an agent multi-employer defined benefit plan that is used to provide other postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for CalPERS can be found on the CalPERS website at https://www.calpers.ca.gov/page/forms-publications.

Plan Membership

As of June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	711
Active employees	3,984
	4,695

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Ana Educators' Association (SAEA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions are based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, SAEA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2019, the District contributed $9,852,624 to the Plan, all of which was used for current premiums. The District contributed $10,045,493 to the Plan during the current fiscal year.

Net OPEB Liability of the District

The District's net OPEB liability of $158,246,002 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	$ 212,510,170
Plan fiduciary net position	(54,264,168)
District's net OPEB liability	$ 158,246,002
Plan fiduciary net position as a percentage of the total OPEB liability	25.53%

Actuarial Assumptions

The net OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Investment rate of return	6.00	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00	percent

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	$ 188,173,655	$ 50,633,652	$ 137,540,003
Service cost	4,572,723	-	4,572,723
Interest	11,112,079	-	11,112,079
Contributions-employer	-	9,852,624	(9,852,624)
Expected investment income	-	3,037,692	(3,037,692)
Difference between projected and actual earnings on OPEB plan investments	-	603,725	(603,725)
Differences between expected and actual experience in the measurement of the net OPEB liability	18,504,337	-	18,504,337
Benefit payments	(9,852,624)	(9,852,624)	-
Administrative expense	-	(10,901)	10,901
Net change in total OPEB liability	24,336,515	3,630,516	20,705,999
Balance at June 30, 2020	$ 212,510,170	$ 54,264,168	$ 158,246,002

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.0%)	$ 174,206,106
Current discount rate (6.0%)	158,246,002
1% increase (7.0%)	143,663,775

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	$ 144,405,158
Current healthcare cost trend rate (4.0%)	158,246,002
1% increase (5.0%)	172,214,598

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

For the year ended June 30, 2020, the District recognized OPEB expense of $24,150,520. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 10,045,493	$ -
Difference between projected and actual earnings on OPEB plan investments	805,029	482,980
Differences between expected and actual experience in the measurement of the net OPEB liability	17,012,051	-
Total	$ 27,862,573	$ 482,980

The deferred outflows of resources for OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments and differences bewteen expected and actaul experience in the measurement of the net OPEB liablity will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred outflow/(inflows) of Resources
2021	$ 1,639,885
2022	1,639,885
2023	1,639,882
2024	1,371,541
2025	1,492,286
Thereafter	9,550,621
	$ 17,334,100

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

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

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $3,273,878 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.8791 percent, and 0.8603 percent, resulting in a net increase in the proportionate share of 0.0188 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(19,090).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 3,572,551
Current discount rate (3.50%)	3,273,878
1% increase (4.50%)	2,999,265

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 3,068,603
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	3,273,878
1% increase (4.7% Part A and 5.1% Part B)	3,683,911

Note 11 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of $6,865,000 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 150,000	$ -	$ 5,948	$ 155,948
Stores inventories	1,833,362	-	1,420,718	3,254,080
Prepaid expenditures	87,653	-	759	88,412
Total nonspendable	2,071,015	-	1,427,425	3,498,440
Restricted				
Legally restricted programs	21,080,786	-	2,790,507	23,871,293
Cafeteria program	-	-	17,491,404	17,491,404
Capital projects	-	51,592,419	25,002,538	76,594,957
Debt services	-	-	39,823,247	39,823,247
Total restricted	21,080,786	51,592,419	85,107,696	157,780,901
Committed				
Stabilization	46,748,518	-	-	46,748,518
Deferred maintenance program	-	-	5,523,403	5,523,403
Total committed	46,748,518	-	5,523,403	52,271,921
Assigned				
Capital projects	-	-	8,315,856	8,315,856
PARS	3,063,720	-	-	3,063,720
Civic center	125,104	-	-	125,104
Godinez rental fees	79,897	-	-	79,897
ALA expansion (furniture and equipment)	263,552	-	-	263,552
Early learning	798,342	-	-	798,342
Walker and Roosevelt joint use	150,000	-	-	150,000
Data warehouse	386,827	-	-	386,827
Social studies textbook adoption	4,803,325	-	-	4,803,325
Mental health redesign	180,364	-	-	180,364
Restorative practice	218,321	-	-	218,321
Technology refresh	10,989	-	-	10,989
FACE (start-up)	291,072	-	-	291,072
Special education early intervention	4,009,657	-	-	4,009,657
Attendance 10x10	49,474	-	-	49,474
Data Hub, Hoonuit, and Data Literacy	114,250	-	-	114,250
Sprint - facilities	236,031	-	-	236,031
SCE - facilities	2,079,507	-	-	2,079,507
District operating systems	1,218,445	-	-	1,218,445
Other postemployment benefits	326,075	-	-	326,075
Total assigned	18,404,952	-	8,315,856	26,720,808
Unassigned				
Reserve for economic uncertainties	13,487,274	-	-	13,487,274
Remaining unassigned	30,662,898	-	-	30,662,898
Total unassigned	44,150,172	-	-	44,150,172
Total	$ 132,455,443	$ 51,592,419	$ 100,374,380	$ 284,422,242

Note 13 - 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 million 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 million. Excess property and the liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 16 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, 2019 to June 30, 2020:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2018	$ 12,813,598	$ 326,850	$ 13,140,448
Claims and changes in estimates	6,052,683	948,535	7,001,218
Claims payments	(4,778,995)	(411,180)	(5,190,175)
Liability Balance, June 30, 2019	14,087,286	864,205	14,951,491
Claims and changes in estimates	2,596,760	351,336	2,948,096
Claims payments	(3,650,195)	(474,749)	(4,124,944)
Liability Balance, June 30, 2020	$ 13,033,851	$ 740,792	$ 13,774,643
Assets available to pay claims at June 30, 2020	$ 29,806,716	$ 866,684	$ 30,673,400

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 448,838,459	$ 125,763,950	$ 58,716,925	$ 53,109,694
CalPERS	212,082,945	49,908,818	5,811,214	36,508,525
CalPERS - Safety Risk Pool	3,261,844	1,211,955	70,963	325,877
Total	$ 664,183,248	$ 176,884,723	$ 64,599,102	$ 89,944,096

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $47,095,177.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:	
Districts's proportionate share of net pension liability	$ 448,838,459
State's proportionate share of the net pension liability associated with the District	244,871,344
Total	$ 693,709,803

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.4970 percent and 0.4793 percent, resulting in a net increase in the proportionate share of 0.0177 percent.

For the year ended June 30, 2020, the District recognized pension expense of $53,109,694. In addition, the District recognized pension expense and revenue of $36,466,624 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 47,095,177	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	20,767,439	28,779,784
Differences between projected and actual earnings on pension plan investments	-	17,289,395
Differences between expected and actual experience in the measurement of the total pension liability	1,133,079	12,647,746
Changes of assumptions	56,768,255	-
Total	$ 125,763,950	$ 58,716,925

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (1,743,931)
2022	(13,725,745)
2023	(2,849,678)
2024	1,029,959
Total	$ (17,289,395)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 10,786,523
2022	10,786,522
2023	7,810,712
2024	9,820,083
2025	(2,808,484)
Thereafter	845,887
Total	$ 37,241,243

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 668,357,618
Current discount rate (7.10%)	448,838,459
1% increase (8.10%)	266,815,271

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Safety Risk Pool Actuarial Valuation Report. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were $21,215,914 and $585,138, respectively.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liability totaling $212,082,945 and $3,261,844, respectively. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's CalPERS' proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.7277 percent and 0.7089 percent, resulting in a net increase in the proportionate share of 0.0188 percent. The District's CalPERS Safety Risk Pool's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0523 percent and 0.0497 percent, resulting in a net increase in the proportionate share of 0.0026 percent.

For the year ended June 30, 2020, the District recognized pension expense of $36,508,525 for CalPERS and $325,877 for CalPERS Safety Risk Pool. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 21,215,914	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,191,361	3,844,106
Differences between projected and actual earnings on pension plan investments	-	1,967,108
Differences between expected and actual experience in the measurement of the total pension liability	15,405,736	-
Changes of assumptions	10,095,807	-
Total	$ 49,908,818	$ 5,811,214

	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 585,138	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	280,151	-
Differences between projected and actual earnings on pension plan investments	-	44,872
Differences between expected and actual experience in the measurement of the total pension liability	212,969	-
Changes of assumptions	133,697	26,091
Total	$ 1,211,955	$ 70,963

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

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

Year Ended June 30,	CalPERS Deferred Outflows/(Inflows) of Resources
2021	$ 1,941,755
2022	(3,878,593)
2023	(587,754)
2024	557,484
Total	$ (1,967,108)

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2021	$ 31,109
2022	(72,206)
2023	(12,505)
2024	8,730
Total	$ (44,872)

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

Year Ended June 30,	CalPERS Deferred Outflows/(Inflows) of Resources
2021	$ 14,979,659
2022	6,005,754
2023	3,512,166
2024	351,219
Total	$ 24,848,798

The CalPERS' Safety Risk Pool's EARSL is 3.8 years and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2021	$ 374,913
2022	147,748
2023	78,065
Total	$ 600,726

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	CalPERS Net Pension Liability
1% decrease (6.15%)	$ 305,703,621
Current discount rate (7.15%)	212,082,945
1% increase (8.15%)	134,418,129

Discount Rate	CalPERS Safety Risk Pool Net Pension Liability
1% decrease (6.15%)	$ 4,940,492
Current discount rate (7.15%)	3,261,844
1% increase (8.15%)	1,885,616

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $25,577,592 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions totaling $8,579,586 has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule.*

Note 15 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
ALA I / EB Cole - Single Point of Entry & New Kitchen	$ 52,726	On hold
Carver Elementary - Modernization	2,558,585	September 2020
Carr Intermediate - Marquee	29,645	November 2020
Century High - Modernization	526,346	July 2022
Davis Elementary - Modernization	11,779	July 2023
District Office - Facilities Offices Renovation	6,800	December 2020
District-Wide - Prop 39 energy savings	639,698	July 2020
District Wide - Marquee (phase I)	21,550	May 2021
District Wide - Single Point of Entry/Security (phase I)	214,601	December 2021
Fremont - Cafeteria HVAC	19,854	On hold
Garfield Elementary - Modernization	6,112,930	December 2020
Heninger Elementary - K-8 Music Expansion	2,024,635	December 2020
INDA - New School	694,283	March 2022
Jackson Elementary - Preschool Lab & Playground	1,221,038	December 2020
Jefferson Elementary - P2P/MPR	4,259,895	July 2022
King Elementary - Modernization	746,634	August 2021
Lathrop - Playground/Parking/RR	32,837	August 2021

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
McFadden Intermediate - HVAC	$ 1,817,102	October 2020
McFadden Intermediate - Optimization K-8 Conversion	661,468	July 2021
Monroe Elementary - ECE Relocation	1,076,039	October 2020
Muir Fundamental - P2P	3,839,645	September 2020
Saddleback High - Electrical Upgrade	168,970	July 2020
Saddleback High - Interim and New Kitchen	8,694,031	May 2021
Santa Ana High - Modernization	567,328	July 2023
Santiago Elementary - Roof	895,378	September 2020
Sierra Intermediate - Optimization K8 Conversion	613,279	July 2021
Thorpe Elementary - Parking lot asphalt repairs	38,170	September 2020
Valley High - Auditorium Renovation	1,624,771	December 2022
Valley High - CTE Culinary Arts Building	628,752	July 2022
Villa Fundamental - Modernization	408,625	July 2024
Walker Elementary - Optimization Swing Space	916,097	August 2020
Washington Elementary - Reconstruction	1,446,212	July 2023
	$ 42,569,703	

Note 16 - Participation in Public Entity Risk Pools

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 entities for its property and liability coverage, and excess property and liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2020, the District made payments of $2,287,274 and $457,675 to ASCIP and SELF, respectively, for property and liability coverage, and excess property and liability coverage.

Note 17 - Correction of an Error of Prior Year Net Position

The District's prior year governmental activities net position has been restated as of June 30, 2019 to correct an error reported in the prior year financial statements. Error was related to understatement of capital assets and related accumulated depreciation.

As a result of the restatement described above, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 265,760,304
Capital assets	(160,990,058)
Accumulated depreciation	166,025,175
Net Position - Beginning as Restated	$ 270,795,421

Note 18 - Subsequent Events

Corona Virus Pandemic

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

General Obligation Bonds, 2018 Election, 2021 Series B

On January 21, 2021, the District issued $80,000,000 in current interest bonds. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities. The bonds have a final maturity to occur on August 1, 2050, with interest rate yields ranging from 2.00 to 5.00 percent.

Required Supplementary Information
June 30, 2020

Santa Ana Unified School District

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
Revenues				
Local Control Funding Formula	$ 513,078,215	$ 518,731,494	$ 519,180,967	$ 449,473
Federal sources	43,122,828	47,747,197	41,371,903	(6,375,294)
Other State sources	85,103,191	84,204,094	93,459,373	9,255,279
Other local sources	4,565,809	11,466,255	16,272,239	4,805,984
Total revenues [1]	645,870,043	662,149,040	670,284,482	8,135,442
Expenditures				
Current				
Certificated salaries	281,183,882	275,891,260	275,825,164	66,096
Classified salaries	105,416,781	106,872,966	108,036,525	(1,163,559)
Employee benefits	184,797,886	178,969,308	186,893,352	(7,924,044)
Books and supplies	37,739,206	23,723,649	22,179,899	1,543,750
Services and operating expenditures	72,573,621	67,915,793	60,390,933	7,524,860
Other outgo	3,735,774	5,719,871	5,077,296	642,575
Capital outlay	6,569,671	10,055,237	9,273,037	782,200
Debt service - principal	153,608	153,608	153,608	-
Debt service - interest	-	-	6,157	(6,157)
Total expenditures [1]	692,170,429	669,301,692	667,835,971	1,465,721
Excess of Revenues over Expenditures	(46,300,386)	(7,152,652)	2,448,511	9,601,163
Other Financing Uses				
Transfers out	(5,224,710)	(6,487,981)	(5,327,715)	1,160,266
Net Change in Fund Balances	(51,525,096)	(13,640,633)	(2,879,204)	10,761,429
Fund Balances - Beginning	135,334,647	135,334,647	135,334,647	-
Fund Balances - Ending	$ 83,809,551	$ 121,694,014	$ 132,455,443	$ 10,761,429

[1] Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets. On behalf payments of $8,579,586 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 4,572,723	$ 4,450,339	$ 4,331,230
Interest	11,112,079	10,824,443	10,574,943
Differences between expected and actual experience in the measurement of the net OPEB liability	18,504,337	-	-
Benefit payments	(9,852,624)	(10,566,691)	(11,167,212)
Net change in total OPEB liability	24,336,515	4,708,091	3,738,961
Total OPEB liability - beginning	188,173,655	183,465,564	179,726,603
Total OPEB liability - ending (a)	$ 212,510,170	$ 188,173,655	$ 183,465,564
Plan Fiduciary Net Position			
Contributions - employer	$ 9,852,624	$ 50,566,691	$ 21,167,212
Expected Investment Income	3,037,692	1,810,487	186,014
Difference between projected and actual earnings on OPEB plan investments	603,725	(1,341,717)	-
Benefit payments	(9,852,624)	(10,566,691)	(11,167,212)
Administrative expense	(10,901)	(19,810)	(1,322)
Net change in plan fiduciary net position	3,630,516	40,448,960	10,184,692
Plan fiduciary net position - beginning	50,633,652	10,184,692	-
Plan fiduciary net position - ending (b)	$ 54,264,168	$ 50,633,652	$ 10,184,692
District's net OPEB liability - ending (a) - (b)	$ 158,246,002	$ 137,540,003	$ 173,280,872
Plan fiduciary net position as a percentage of the total OPEB liability	25.53%	26.91%	5.55%
Covered payroll	N/A[1]	N/A[1]	N/A[1]
District's net OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[1] The District's OPEB Plan is administered through a trust; however, the contributions to the trust are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

	2020	2019	2018
Year ended June 30,			
District's proportion of the net OPEB liability	0.8791%	0.8603%	0.9252%
District's proportionate share of the net OPEB liability	$ 3,273,878	$ 3,292,968	$ 3,892,495
District's covered-employee payroll	N/A[1]	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

	2020	2019	2018
CalSTRS			
District's proportion of the net pension liability	0.4970%	0.4793%	0.5111%
District's proportionate share of the net pension liability	$ 448,838,459	$ 440,514,489	$ 472,622,449
State's proportionate share of the net pension liability associated with the District	244,871,344	252,215,147	279,599,448
Total	$ 693,709,803	$ 692,729,636	$ 752,221,897
District's covered - employee payroll	$ 270,682,445	$ 260,879,563	$ 270,435,684
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	165.82%	168.86%	174.76%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%
CalPERS			
District's proportion of the net pension liability	0.7277%	0.7089%	0.7446%
District's proportionate share of the net pension liability	$ 212,082,945	$ 189,006,297	$ 177,755,962
District's covered - employee payroll	$ 101,186,851	$ 95,150,718	$ 92,901,800
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	209.60%	198.64%	191.34%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%
CalPERS - SAFETY RISK POOL			
District's proportion of the net pension liability	0.0523%	0.0497%	0.0485%
District's proportionate share of the net pension liability	$ 3,261,844	$ 2,913,884	$ 2,899,401
District's covered - employee payroll	$ 2,473,738	$ 2,316,124	$ 2,007,112
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	131.86%	125.81%	144.46%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.5280%	0.5389%	0.5013%
District's proportionate share of the net pension liability	$ 427,027,116	$ 362,799,016	$ 292,931,830
State's proportionate share of the net pension liability associated with the District	243,098,920	191,880,686	176,884,886
Total	$ 670,126,036	$ 554,679,702	$ 469,816,716
District's covered - employee payroll	$ 261,397,446	$ 245,668,908	$ 224,429,169
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	163.36%	147.68%	130.52%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.7557%	0.7186%	0.7462%
District's proportionate share of the net pension liability	$ 149,251,038	$ 105,921,641	$ 84,713,519
District's covered - employee payroll	$ 90,150,755	$ 79,423,023	$ 74,554,979
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	165.56%	133.36%	113.63%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
CalPERS - SAFETY RISK POOL			
District's proportion of the net pension liability	0.0484%	0.0494%	0.0302%
District's proportionate share of the net pension liability	$ 2,506,207	$ 2,034,198	$ 1,878,447
District's covered - employee payroll	$ 2,019,608	$ 1,960,237	$ 1,714,755
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	124.09%	103.77%	109.55%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018
CalSTRS			
Contractually required contribution	$ 47,095,177	$ 44,067,102	$ 37,644,921
Contributions in relation to the contractually required contribution	47,095,177	44,067,102	37,644,921
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 275,410,392	$ 270,682,445	$ 260,879,563
Contributions as a percentage of covered - employee payroll	17.10%	16.28%	14.43%
CalPERS			
Contractually required contribution	$ 21,215,914	$ 18,276,369	$ 14,777,858
Contributions in relation to the contractually required contribution	21,215,914	18,276,369	14,777,858
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 107,580,315	$ 101,186,851	$ 95,150,718
Contributions as a percentage of covered - employee payroll	19.721%	18.062%	15.531%
CalPERS - SAFETY RISK POOL			
Contractually required contribution	$ 585,138	$ 517,561	$ 402,541
Contributions in relation to the contractually required contribution	585,138	517,561	402,541
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 2,473,738	$ 2,316,124	$ 2,007,112
Contributions as a percentage of covered - employee payroll	23.654%	22.346%	20.056%

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

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 34,020,809	$ 28,047,946	$ 21,815,399
Contributions in relation to the contractually required contribution	34,020,809	28,047,946	21,815,399
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 270,435,684	$ 261,397,446	$ 245,668,908
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 12,902,202	$ 10,680,160	$ 9,348,884
Contributions in relation to the contractually required contribution	12,902,202	10,680,160	9,348,884
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 92,901,800	$ 90,150,755	$ 79,423,023
Contributions as a percentage of covered - employee payroll	13.888%	11.847%	11.771%
CalPERS - SAFETY RISK POOL			
Contractually required contribution	$ 403,287	$ 371,309	$ 313,139
Contributions in relation to the contractually required contribution	403,287	371,309	313,139
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 2,019,608	$ 1,960,237	$ 1,714,755
Contributions as a percentage of covered - employee payroll	19.969%	18.942%	18.261%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were no changes in benefit terms.
- *Change of Assumptions* – There were no changes in economic assumptions.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

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

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2020

Santa Ana Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Positive School Climate Model	84.411C	[1]	$ 917,980
Passed through California Department of Education (CDE):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	10,100,819
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	35,191
Preschool Grants, Part B, Sec 619	84.173	13430	351,716
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	579,037
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,268
Alternate Dispute Resolution	84.173A	13007	234
Total Special Education (IDEA) Cluster			11,068,265
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	15,822,650
School Improvement Funding for LEAs	84.010	15438	217,487
Subtotal			16,040,137
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	377,888
Title I, Part C, Migrant Education (MESRP)	84.011	14768	89,145
Subtotal			467,033
Title III, Immigrant Student Program	84.365	15146	157,256
Title III, English Learner Student Program	84.365	14346	2,655,792
Subtotal			2,813,048
Title II, Part A, Supporting Effective Instruction	84.367	14341	1,867,220
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	714,149
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	1,953,045
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	246,623
Early Intervention Grants	84.181	23761	282,678
Passed through Central County Regional Occupational Program:			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	460,035
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	402,200
Total U.S. Department of Education			37,232,413

[1] Direct award – no Pass-Through Identifying number

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Orange County Head Start, Inc.			
Head Start	93.600	10016	$ 3,887,411
Total U.S. Department of Health and Human Services			3,887,411
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	19,397,965
School Breakfast Program	10.553	13525	11,063
Especially Needy Breakfast Program	10.553	13526	6,561,616
Commodities	10.555	13524	1,586,558
Seamless Summer Feeding Program	10.559	13004	291,374
Total Child Nutrition Cluster			27,848,576
Child and Adult Care Food Program	10.558	13666	2,750,811
Total U.S. Department of Agriculture			30,599,387
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	182,171
NATIONAL SCIENCE FOUNDATION			
Passed through Regents of the University of California, Irvine:			
Irvine Mathematics Project	47.076	[2]	168,917
Total Expenditures of Federal Awards			$ 72,070,299

[1] Direct award – No Pass-Through Identifying number
[2] Pass-Through Entity Identifying Number not available

ORGANIZATION

The Santa Ana Unified School District was organized in 1888 and consists of an area comprising approximately 24 square miles. The District operates thirty-six elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and three alternative high schools.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Rigo Rodriguez, Ph.D.	President	2020
Valerie Amezcua	Vice President	2022
Alfonso Alvarez, Ed.D.	Clerk	2020
John Palacio	Member	2022
Carolyn Torres	Member	2020

ADMINISTRATION

Jerry Almendarez	Superintendent
Lorraine Perez, Ed.D.	Deputy Superintendent, Educational Services
Thomas Stekol, Ed.D.	Deputy Superintendent, Administrative Services
Manoj Roychowdhury	Assistant Superintendent, Business Services
Bianca Barquin, Ed.D.	Assistant Superintendent, K-12 Teaching and Learning
Sonia Llamas, Ed.D.	Assistant Superintendent, K-12 School Performance and Culture
Mayra Helguera, Ed.D.	Assistant Superintendent, Special Education/SELPA
Orin Williams	Assistant Superintendent, Facilities/Governmental Relations
Hiacynth Martinez, Ed.D.	Assistant Superintendent, Human Resources

	Final Report	
	Second Period Report 8F7A3008	Annual Report A5033AFE
Regular ADA		
Transitional kindergarten through third	12,645.93	12,645.93
Fourth through sixth	9,929.65	9,929.65
Seventh and eighth	7,086.32	7,086.32
Ninth through twelfth	13,814.16	13,814.16
Total Regular ADA	43,476.06	43,476.06
Extended Year Special Education		
Transitional kindergarten through third	45.18	45.18
Fourth through sixth	18.19	18.19
Seventh and eighth	4.94	4.94
Ninth through twelfth	38.91	38.91
Total Extended Year Special Education	107.22	107.22
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.16	3.16
Fourth through sixth	8.66	8.66
Seventh and eighth	11.39	11.39
Ninth through twelfth	18.76	18.76
Total Special Education, Nonpublic, Nonsectarian Schools	41.97	41.97
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.53	0.53
Seventh and eighth	0.30	0.30
Ninth through twelfth	1.17	1.17
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.00	2.00
Community Day School		
Seventh and eighth	14.55	13.02
Ninth through twelfth	27.90	24.97
Total Community Day School	42.45	37.99
Total ADA	43,669.70	43,665.24

See Notes to Supplementary Information

	Final Report	
	Second Period Report 20F76D5F	Annual Report CA9F48D8
Advanced Learning Academy		
Regular ADA		
Transitional kindergarten through third	7.75	7.75
Fourth through sixth	96.13	96.13
Seventh and eighth	168.39	168.39
Ninth through twelfth	71.88	71.88
Total Regular ADA	344.15	344.15
Classroom based ADA		
Transitional kindergarten through third	7.75	7.75
Fourth through sixth	96.13	96.13
Seventh and eighth	168.39	168.39
Ninth through twelfth	71.88	71.88
Total Regular ADA	344.15	344.15

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	48,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,700	180	N/A	Complied
Grade 2		50,700	180	N/A	Complied
Grade 3		50,700	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,312	180	N/A	Complied
Grade 5		54,312	180	N/A	Complied
Grade 6		54,360	180	N/A	Complied
Grade 7		54,216	180	N/A	Complied
Grade 8		54,216	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,800	180	N/A	Complied
Grade 10		64,800	180	N/A	Complied
Grade 11		64,800	180	N/A	Complied
Grade 12		64,800	180	N/A	Complied

Advanced Learning Academy

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 3	50,400				
Grade 3		50,748	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,360	180	N/A	Complied
Grade 5		54,360	180	N/A	Complied
Grade 6		54,360	180	N/A	Complied
Grade 7		58,455	180	N/A	Complied
Grade 8		58,455	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,050	180	N/A	Complied
Grade 10		65,050	180	N/A	Complied
Grade 11		65,050	180	N/A	Complied
Grade 12		65,050	180	N/A	Complied

Summarized below are the fund balance reconciliation between the Unaudited Actual Financial Report and the audited financial statements:

	Internal Service Fund
Net Assets	
Balance, June 30, 2020, Unaudited Actuals	$ 40,348,161
Increase in	
Prepaid expenses	152,558
Decrease in	
Claims liability	1,172,991
Balance, June 30, 2020, Audited Financial Statement	$ 41,673,710

	(Budget) 2021 [1]	2020	2019	2018
General Fund [3]				
Revenues	$ 640,728,561	$ 670,259,977	$ 697,411,903	$ 655,298,590
Other sources	25,000,000	-	238	-
Total revenues and other sources	665,728,561	670,259,977	697,412,141	655,298,590
Expenditures	676,026,470	667,835,971	663,110,022	629,183,147
Other uses and transfers out	5,341,512	6,527,715	5,235,068	21,742,884
Total expenditures and other uses	681,367,982	674,363,686	668,345,090	650,926,031
Increase in Fund Balance	$ (15,639,421)	$ (4,103,709)	$ 29,067,051	$ 4,372,559
Ending Fund Balance	$ 115,271,502	$ 130,910,923	$ 135,014,632	$ 105,947,581
Available Reserves [2]	$ 92,274,618	$ 90,898,690	$ 94,605,794	$ 66,273,223
Available Reserves as A Percentage of Total Outgo [4]	13.54%	13.65%	14.67%	10.18%
Long-Term Liabilities	N/A	$ 1,310,081,384	$ 1,268,743,890	$ 1,270,430,087
K-12 Average Daily Attendance at P-2	42,502	43,670	45,094	46,855

The General Fund balance has increased by $24,963,342 over the past two years. However, the fiscal year 2020-2021 budget projects a decrease of $15,639,421 (11.9 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $39,651,297 over the past two years.

Average daily attendance has decreased by 3,185 over the past two years. An additional decline of 1,168 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all amounts committed for fiscal stabilization and unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and the Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

[4] On behalf payments of $8,579,586 and $23,340,637 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2020 and 2019, respectively.

Name of Charter School and Charter Number	Included in Audit Report
Advanced Learning Academy (Charter No. 1765)	Yes
Edward B. Cole Academy (Charter No. 0578)	No
El Sol Santa Ana Science and Arts Academy (Charter No. 0365)	No
Nova Academy Early College High (Charter No. 0632)	No
Orange County School of the Arts (Charter No. 0290)	No
Orange County Educational Arts Academy (Charter No. 0701)	No

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund
Assets						
Deposits and investments	$ 169,628	$ 339,147	$ 17,276,266	$ 7,061,419	$ 18,331,717	$ 6,017,995
Receivables	523,651	1,216,174	2,514,612	7,080	101,219	7,491
Due from other funds	1,384,315	49,977	6,262	-	-	-
Prepaid expenditures	-	-	759	-	-	-
Stores inventories	-	-	1,420,718	-	-	-
Total assets	$ 2,077,594	$ 1,605,298	$ 21,218,617	$ 7,068,499	$ 18,432,936	$ 6,025,486
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 49,610	$ 278,922	$ 1,099,125	$ 1,545,096	$ 277,864	$ 1,588,417
Due to other funds	214,176	349,677	1,200,663	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	263,786	628,599	2,299,788	1,545,096	277,864	1,588,417
Fund Balances						
Nonspendable	-	-	1,427,425	-	-	-
Restricted	1,813,808	976,699	17,491,404	-	18,155,072	4,437,069
Committed	-	-	-	5,523,403	-	-
Assigned	-	-	-	-	-	-
Total fund balances	1,813,808	976,699	18,918,829	5,523,403	18,155,072	4,437,069
Total liabilities and Fund balances	$ 2,077,594	$ 1,605,298	$ 21,218,617	$ 7,068,499	$ 18,432,936	$ 6,025,486

	Special Reserve Fund For Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets					
Deposits and investments	$ 12,523,575	$ 765,086	$ 35,285,186	$ 4,426,560	$ 102,196,579
Receivables	12,929	780	73,346	420,831	4,878,113
Due from other funds	404,134	-	-	-	1,844,688
Prepaid expenditures	-	-	-	-	759
Stores inventories	-	-	-	-	1,420,718
Total assets	$ 12,940,638	$ 765,866	$ 35,358,532	$ 4,847,391	$ 110,340,857
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 387,876	$ 8,465	$ -	$ 1	$ 5,235,376
Due to other funds	200,284	4,657	-	382,675	2,352,132
Unearned revenue	2,378,969	-	-	-	2,378,969
Total liabilities	2,967,129	13,122	-	382,676	9,966,477
Fund Balances					
Nonspendable	-	-	-	-	1,427,425
Restricted	1,657,653	752,744	35,358,532	4,464,715	85,107,696
Committed	-	-	-	-	5,523,403
Assigned	8,315,856	-	-	-	8,315,856
Total fund balances	9,973,509	752,744	35,358,532	4,464,715	100,374,380
Total liabilities and Fund balances	$ 12,940,638	$ 765,866	$ 35,358,532	$ 4,847,391	$ 110,340,857

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund
Revenues						
Local Control Funding Formula	$ 3,814,434	$ -	$ -	$ 4,000,000	$ -	$ -
Federal sources	99,009	-	30,599,387	-	-	-
Other State sources	520,539	9,367,170	2,111,460	-	-	(2,841,370)
Other local sources	20,420	152,937	2,139,312	154,111	7,520,585	339,568
Total revenues	4,454,402	9,520,107	34,850,159	4,154,111	7,520,585	(2,501,802)
Expenditures						
Current						
Instruction	3,230,050	7,283,805	-	-	-	-
Instruction-related activities						
Supervision of instruction	33,119	674,989	-	-	-	-
Instructional library, media and technology	510	-	-	-	-	-
School site administration	588,948	304,515	-	-	-	-
Pupil services						
Food services	-	-	36,800,779	-	-	-
All other pupil services	126,649	523,100	-	-	-	-
Administration						
All other administration	85,484	193,397	456,700	-	19,225	-
Plant services	205,441	8,053	133,391	203,773	95,578	9,683
Ancillary services	23,505	-	-	-	-	-
Enterprise services	-	-	194,652	-	-	-
Facility acquisition and construction	-	-	390,872	5,797,728	5,029,583	20,624,059
Debt service						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
Total expenditures	4,293,706	8,987,859	37,976,394	6,001,501	5,144,386	20,633,742
Excess (Deficiency) of Revenues over Expenditures	160,696	532,248	(3,126,235)	(1,847,390)	2,376,199	(23,135,544)
Other Financing Sources						
Transfers in	257,380	49,977	7,808	-	-	2,715,748
Transfers out	-	-	-	-	(1,556,702)	-
Net financing sources (uses)	257,380	49,977	7,808	-	(1,556,702)	2,715,748
Net Change in Fund Balances	418,076	582,225	(3,118,427)	(1,847,390)	819,497	(20,419,796)
Fund Balances - Beginning	1,395,732	394,474	22,037,256	7,370,793	17,335,575	24,856,865
Fund Balances - Ending	$ 1,813,808	$ 976,699	$ 18,918,829	$ 5,523,403	$ 18,155,072	$ 4,437,069

	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues					
Local Control Funding Formula	$ -	$ -	$ -	$ -	$ 7,814,434
Federal sources	-	-	1,346,366	-	32,044,762
Other State sources	3,558,284	-	84,658	-	12,800,741
Other local sources	747,038	394,040	26,458,977	1,001,515	38,928,503
Total revenues	4,305,322	394,040	27,890,001	1,001,515	91,588,440
Expenditures					
Current					
Instruction	-	-	-	-	10,513,855
Instruction-related activities					
Supervision of instruction	-	-	-	-	708,108
Instructional library, media and technology	-	-	-	-	510
School site administration	-	-	-	-	893,463
Pupil services					
Food services	-	-	-	-	36,800,779
All other pupil services	-	-	-	-	649,749
Administration					
All other administration	-	-	-	-	754,806
Plant services	50,386	29,145	-	-	735,450
Ancillary services	-	-	-	-	23,505
Enterprise services	-	-	-	-	194,652
Facility acquisition and construction	3,688,908	158,488	-	-	35,689,638
Debt service					
Principal	-	-	12,580,000	5,331,130	17,911,130
Interest and other	-	-	9,331,331	2,186,252	11,517,583
Total expenditures	3,739,294	187,633	21,911,331	7,517,382	116,393,228
Excess (Deficiency) of Revenues over Expenditures	566,028	206,407	5,978,670	(6,515,867)	(24,804,788)
Other Financing Sources					
Transfers in	1,350,006	6	-	6,648,573	11,029,498
Transfers out	(4,145,075)	-	-	-	(5,701,777)
Net financing sources (uses)	(2,795,069)	6	-	6,648,573	5,327,721
Net Change in Fund Balances	(2,229,041)	206,413	5,978,670	132,706	(19,477,067)
Fund Balances - Beginning	12,202,550	546,331	29,379,862	4,332,009	119,851,447
Fund Balances - Ending	$ 9,973,509	$ 752,744	$ 35,358,532	$ 4,464,715	$ 100,374,380

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Santa Ana Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Santa Ana Unified School District, it is not intended to and does not present the financial position of Santa Ana Unified School District.

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

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

Food Donation
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District did not report any commodities in inventory.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the Build America Bonds, which are excluded from the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and, therefore, are not presented in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 73,416,665
Build America Bonds	[1]	(1,346,366)
Total Schedule of Expenditures of Federal Awards		$ 72,070,299

[1] CFDA Number not available

Local Education Agency Organization Structure

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

Schedule of 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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206, and *Education Code* Sections 47612 and 47612.5 for the Charter School.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201 and *Education Code* Section 47612.5 for the Charter School.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 48 days due to the pandemic. As a result, the District received credit for these 48 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Closure Certification were included in the Actual Minutes column, but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

Independent Auditor's Reports
June 30, 2020

Santa Ana Unified School District

eidebailly.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Santa Ana Unified School District
Santa Ana, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Santa Ana Unified School District's basic financial statements and have issued our report thereon dated February 15, 2021.

Emphasis of Matter – Correction of an Error
As discussed in Note 17 to the financial statements, the District's prior year governmental activities net position has been restated as of June 30, 2019 to correct certain errors noted during our audit. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Santa Ana 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 Santa Ana Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Ana Unified School District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of financial statement findings,* as items 2020-001 and 2020-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Ana 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*.

Santa Ana Unified School District's Response to Findings

Santa Ana Unified School District's response to the findings identified in our audit are described in the accompanying *schedule of financial statement findings*. Santa Ana Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Santa Ana Unified School District in a separate letter dated February 15, 2021.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
February 15, 2021

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

To the Board of Directors
Santa Ana Unified School District
Santa Ana, California

Report on Compliance for Each Major Federal Program
We have audited Santa Ana Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Ana Unified School District's major federal programs for the year ended June 30, 2020. Santa Ana Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, Santa Ana Unified School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 15, 2021

Independent Auditor's Report on State Compliance

To the Board of Directors
Santa Ana Unified School District
Santa Ana, California

Report on State Compliance

We have audited Santa Ana Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for' the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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

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

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

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

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

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

The District does not have any Nonclassroom-Based Instruction for Charter Schools; therefore, we did not perform procedures related to the Nonclassroom-Based Instructions/Independent Study for Charter Schools.

The District does not have any Nonclassroom-Based Instruction for Charter Schools; therefore, we did not perform procedures related to the Determination of Funding for Nonclassroom-Based Instructions.

The District did not receive any funding for the Charter School Facility Grant Program; therefore, we did not perform procedures related to the Charter School Facility Grant Program.

Basis for Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts
As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, as finding 2020-003, Santa Ana Unified School District did not comply with requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Santa Ana Unified School District to comply with the requirements referred to above.

Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Ana Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Santa Ana Unified School District’s response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs.* Santa Ana Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs

In our opinion, Santa Ana Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 15, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

Santa Ana Unified School District

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
Child Nutrition Cluster	10.553, 10.555, 10.559
Title III, Immigrant Student Program	84.365
Title III, English Learner Student Program	84.365

Dollar threshold used to distinguish between Type A and Type B programs:	$2,162,109
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

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

*Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

Capital Assets (Material Weakness)

2020-001 30000

Criteria or Specific Requirements

Education Code Section 35168 requires the District to establish and maintain an inventory of all capital assets. GASB Statement No. 34 also requires the accounting for capital assets in excess of the capitalization threshold. In order to ensure the accurate reporting of capital assets, the District must establish procedures to track and monitor capital asset activity on an annual basis, including acquisitions, dispositions, and construction in process activities.

Condition

The District currently has a capital asset system; however, it is not fully functional. The following conditions were noted:

1. For the past few years, all capital expenditures for the District were added to the work in progress account. The work in progress account was not reconciled for the past few years to ensure all completed projects are transferred to the appropriate classification to be depreciated. During the current fiscal year, the District reconciled the work in progress account using the project tracking records from the Facilities Department. The District identified the projects and related costs that had been incurred since the last capital assets valuation, which was conducted in fiscal year 2011. The District assigned the in-service date to the assets to correlate it to the year the project was completed, or the equipment was purchased. In addition, the District changed its capitalization policy from $5,000 to $20,000, except for capital assets purchased with federal funds, which remains $5,000. As detailed in Note 17 the combined effect of the reconciliation and policy change resulted in a $5,035,117 restatement in the District's net position as of July 1, 2019.
2. Equipment inventory has not been reconciled to ensure that all equipment reported still exists.

Questioned costs

There were no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the capital asset activities.

Effect

The District's prior period ending net position was understated by $5,035,117. In addition, by not performing physical inventory counts of capital assets the amounts recorded for capital assets in the District's financial statements could be misstated. The District increases the risk of loss from damage, theft, or otherwise.

Cause

The condition identified above appears to be caused by the lack of formal procedures related to this process, including the assignment of personnel to track and monitor capital asset activities on a regular basis.

Repeat Finding (Yes or No)

Yes, 2019-001.

Recommendation

The District should establish and enforce formalized procedures related to monitoring capital asset activities. Such procedures should include monthly review and reconciliation of capital asset additions and input into capital asset system for depreciation; procedures for disposal of assets including timelines for when the inventory counts will be performed along with a process for reconciling physical inventory count information with the perpetual capital asset listing.

Corrective Action Plan/Views of Responsible Official

The District is in the process of hiring an inventory company to do a physical inventory count of all the districts capital assets. The inventory report from this company will be used to reconcile and update the District's capital assets. The District has also assigned an Accounting Technician to monitor and reconcile the capital assets on a monthly basis. The Accounting Technician will use the monthly fixed assets reports from our logistic department to add, remove, and transfer both fixed and capitalized assets that were either purchased, disposed of, or moved to a different location.

Internal Service Fund – Claims Liabilities and Prepaid Expenses (Material Weakness)

2020-002 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of financial account balances to ensure that they agree to corresponding supporting records.

Condition

The District did not decrease its claims liability by $1,172,991 per the most recent actuarial study performed on the District's self-insured workers' compensation and property and liability programs. In addition, the District did not record $152,558 of prepaid insurance expense related to the excess workers' compensation insurance.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through the course of our review of the District's internal service activities and the associated self-insured workers' compensation and property and liability programs. Specifically, our review of the District's most recent actuarial report revealed that the claims liability related to workers' compensation and property and liability programs decreased significantly but were not adjusted by the District. In addition, we reviewed insurance premium payments and noted that the District had prepaid insurance premiums, for the excess workers compensation insurance, for the months of July through October 2020.

Effect

Due to the conditions identified, the District's internal service fund (Fund 67) was understated by $1,325,549.

Cause

The District did not obtain the actuarial reports for its self-insured workers' compensation and property and liability programs in a timely manner which was the cause for the condition identified above. In addition, the District did not review the insurance policy coverage period and as result a prepaid expense was not recorded.

Repeat Finding (Yes or No)

No.

Recommendation

The District should ensure that actuarial studies are conducted in a timely manner and reviewed within a reasonable time frame to identify the projected claims liability. This would allow the correct amount of claims liability to be reported as part of the District's annual year-end closing process. In addition, the District should review the insurance policy coverage period to ensure any required prepaid expenses are recorded at yearend.

Corrective Action Plan/Views of Responsible Official

The District will pull Claims data as close to July 1 as possible and provide the Actuarial all data, as requested, in time for Actuarial to provide a draft report before closing of the books. The District will include a due date in the consultant agreement with Actuarial so the District will receive a report before closing of the books. The District will present the Actuarial Report to the School Board after the closing of the books.

None reported.

The following finding represents an instance of noncompliance and questioned costs relating to compliance with state laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

Unduplicated Local Control Funding Formula Pupil Counts

2020-003 40000

Criteria or Specific Requirements

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

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) was inaccurate. It appears that the District inaccurately reported eligibility for a total of 64 students on the CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

In addition, the Advanced Learning Academy inaccurately reported eligibility for one student on the CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District and the Advanced Learning Academy (ALA) overclaimed the total eligible pupils by 64 and one, respectively, resulting in a decrease of approximately $108,802 and $2,003, respectively, in LCFF funding. The estimated penalties were calculated using the CDE's Audit Penalty Calculator.

Context

District-Wide: The condition was identified when we requested supporting documents for the sampled students' English Learner (EL) designation. The students were selected from pupils in the EL category on the CALPADS report 1.18. Four of 40 students tested met the reclassification requirements; however, were inaccurately reported as EL. The auditor inquired further with the District and determined that the District did not account for teachers' recommendations for reclassifications. The District provided the auditor with the teacher's reclassifications recommendations for the entire District and it was noted that additional 60 students were inaccurately reported as EL.

ALA: The condition was identified when we requested meal applications showing that students were eligible for free or reduced-price meals in the Child Nutrition program. The students were selected from pupils in the Free and Reduced-Price Meal category on the CALPADS report 1.18. One of eight students tested was reported inaccurately. The auditor inquired further with the District and determined that the District made an error during input of the meal application into the nutrition services system for one student at the Advanced Learning Academy. The District reviewed and verified the source documents for all of the FRPM student and noted that it was an isolated error. Auditor selected additional 12 samples and noted no discrepancies.

Effect

The District and ALA overclaimed the total number of eligible pupils. The schedule below shows the exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for EL	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
District-Wide	45,213	39,890	0	(64)	0	45,213	39,826
Advanced Learning Academy	361	310	0	0	(1)	361	309

Cause

It appears that the condition identified has materialized as a result of the District not accounting for teachers' recommendations for reclassifications.

Repeat Finding (Yes or No)

Yes, 2019-002.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Corrective Action Plan/Views of Responsible Official

<u>Advanced Learning Academy - FRPM</u>

In order to increase accuracy when entering income verification form information into district database, there will be an additional step that will be added to the process. After the initial district employee enters the income verification form and checks for accuracy, a second employee will verify that the information entered is correct.

District-Wide English Learner (EL)

Reason for Finding

EL Programs in consultation with the auditor has identified a lapse in the timeliness in reporting students' language proficiencies in CALPADs form 1.18.

Teacher recommendations for students to reclassify that came in after the CALPADs fall reporting period were not added to the Language Proficiency count and were incorrectly coded EL resulting in overfunding to the district.

As new employees assumed responsibility for duties such as reclassification, they were not informed of all the processes involved and how that affects the districts overall funding. The main breakdown in this process was that the students that reclassified were never reported to the staff in charge of CALPADs updates and the staff member in EL Programs was unaware that the updates needed to move beyond the local system. The key to solving this issue is developing procedure, training staff, systematizing the process and communicating between departments.

Action Steps for Remedying Data Availability Issues

Trend/Need	Action Steps	Person(s) Responsible
Ensure students that are reclassified are updated in CALPADs in a timely manner	Create an annual calendar of reporting dates and assign reminders and delegate staff to ensure this takes place. Train appropriate staff.	EL Programs staff/ CALPADs coordinator
Ensure sites are reporting recommendations in a timely manner	Incorporate into monthly trainings the timeliness and provide resources that schools can use to ensure that students are reclassified in a timely manner.	EL Program and site staff

Timeline for Training

Month	Training/Action	Persons Involved
February 2021	Meet with relevant staff to discuss concerns, further evaluate data needs, and establish a schedule for timely reporting	EL Programs and relevant staff
March 2021	Develop calendars and resources for sites to ensure the timely reporting of reclassification recommendations from teachers	EL Programs staff and site staff
August 2021 then monthly	Share procedures with sites and enable reminders over data systems to ensure teachers are reporting recommendations in a timely fashion and ensure that Language Fluency is accurately reported on CALPADs	EL Programs staff, site coordinators

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2019-001 Code 30000 Capital Assets (Material Weakness)

Criteria or Specific Requirements

California *Education Code* Section 35168 requires the District to establish and maintain an inventory of all capital assets. Generally Accepted Accounting Principles accepted in the United States of America and GASB Statement 34 also requires the accounting for capital assets in excess of the capitalization threshold ($5,000). In order to ensure the accurate reporting of capital assets, the District must establish procedures to track and monitor capital asset activity on an annual basis, including acquisitions, dispositions, and construction in process activities.

Condition

The District currently has a capital asset system; however, it is not fully functional. The following conditions were noted:

1. There is no personnel at the District that has been assigned to maintain the system on a regular basis.
2. For the past few years, all capital expenditures for the District have been added to the work in progress account. The work in progress account has not been reconciled for the past few years to ensure all completed projects are transferred to the appropriate classification to be depreciated.
3. Equipment inventory has not been reconciled to ensure that all equipment reported still exists.
4. Due to the system not functioning properly, accumulated depreciation may be misstated.

Questioned Costs

The amount by which this departure would affect the assets, functional expenses, and net position of the governmental activities has not been determined.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the capital asset activities.

Effect

Consequently, amounts recorded for capital assets in the district's financial statements could be misstated. In addition, by not performing physical inventory counts of capital assets, the District increases the risk of loss from damage, theft, or otherwise.

Cause

The condition identified above appears to be caused by the lack of formal procedures related to this process, including the assignment of personnel to track and monitor capital asset activities on a regular basis.

Repeat Finding (Yes or No)

Yes, 2018-001.

Recommendation

The District should establish and enforce formalized procedures related to monitoring capital asset activities. Such procedures should include monthly review and reconciliation of capital asset additions and input into capital asset system for depreciation; procedures for disposal of assets including timelines for when the inventory counts will be performed along with a process for reconciling physical inventory count information with the perpetual capital asset listing.

Current status

Partially implemented. See Current Year Financial Statement Findings item 2020-001.

State Compliance Findings

2019-002 Code 40000 Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

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

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility of students for Free or Reduced-Price Meals on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by 65 and 63 in fiscal year 2017-2018 and 2018-2019, respectively, resulting in a decrease of approximately $13,368 and $31,202 in fiscal year 2017-2018 and 2018-2019, respectively, in LCFF funding. The estimated penalties were calculated using the California Department of Education's Audit Penalty Calculator.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column) and verify there is supporting documentation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE, that matches enrolled students against those children/households receiving CalFresh (or CALWORKs) benefits."

The auditor inquired further with the District and determined that the District made an error during the base year, fiscal year 2017-2018, when transferring student eligibility information from the Nutrition Services system to the student information system that is used to update CALPADS data. The District performed a 100% verification of the error by extracting eligibility status from the Nutrition Services system and comparing it to the status reported on CALPADS Form 1.18 from 2017-2018 and 2018-2019. The comparison resulted in a decrease of 65 eligible pupils for the fiscal year 2017-2018 and a decrease of 63 eligible pupils for the fiscal year 2018-2019. The auditor obtained a copy of this list and confirmed that the exceptions noted in our original testing were in fact noted on the list as having a change in status, yet the change was not made. This list noted a total of 65 eligible pupils for the fiscal year 2017-2018 and 63 eligible pupils for the fiscal year 2018-2019 whose status should have been changed in CALPADS.

Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, for the fiscal year 2017-2018 the District appears to be over claiming the total FRPM eligible pupil by 65 for a decrease in funding of approximately $13,368. For the fiscal year 2018-2019 the District appears to be over claiming the total FRPM eligible pupil by 63 for a decrease in funding of approximately $31,202. The schedule below shows the District-wide exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
District-Wide (2017-2018)	48,326	42,403	0	(65)	48,326	42,338
District-Wide (2018-2019)	46,596	40,898	0	(63)	46,596	40,835

Cause

It appears that the condition identified has materialized as a result of the error made by the District during the base year, fiscal year 2017-2018, when transferring student eligibility information from the Nutrition Services system to the student information system that is used to update CALPADS data.

Repeat Finding (Yes or No)

Yes, 2018-003.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Current status

No, see Current Year *State Compliance Findings and Questioned Costs* item 2020-003.

CPAs & BUSINESS ADVISORS

Management
Santa Ana Unified School District
Santa Ana, California

In planning and performing our audit of the financial statements of Santa Ana Unified School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 15, 2021, on the government-wide financial statements of the District.

Associated Student Body (ASB)

Consolidated ASB

Observations

1. Per review of the ASB activity, it was noted that the bank reconciliations are prepared on a monthly basis; however, the reconciled balances per the bank reconciliation do not agree to the ASB general ledger system when each school site's balance is aggregated and compared to the total reconciled cash balance.
2. Per review of the ASB financials, it was noted that closed bank accounts still appear on the financial statements of several ASB as a line item with balances. This appears to have resulted due to the ASB not accounting for the closing of the accounts properly. Rather than transferring the funds from the old account to the new account, the ASB recorded the funds as revenue in the new account.

Recommendations

1. In addition to preparing the monthly bank reconciliation, the preparer should ensure the reconciled balance agrees to the general ledger system. The additional review step will help identify any errors that may have otherwise gone unidentified.
2. It is recommended that the District assist the ASB to reconcile and clear out unused line items from the financial statements. The District should ensure that the balances that appear on the financial statement for the closed accounts represent the ending balances when the accounts were closed to ensure that the student body funds were not misappropriated.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Gerald P. Carr Intermediate School

Observations

1. Of the 44 deposits tested, 29 were not deposited in a timely manner. The delay in deposits ranged from approximately 12 to 51 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collected by teachers, advisors, clubs, snack bar, or student store is not accounted for properly. Cash collections are not supported by sub-receipts, tally sheets, or logs that tie the total collected to the amount reported. Out of three deposits tested, each contained receipts that did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
3. All four disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
4. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that three of three revenue potential forms used for fundraising events was not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.
5. Perpetual inventory is not calculated and reconciled to the periodic inventory count done at the end of the fiscal year.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts, tally sheets, or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book, tally sheet, or log sheet. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. All goods ordered and received should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

4. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
5. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.

Segerstrom High School

Observations

1. All five deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 23 to 66 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collected by teachers, advisors, clubs, snack bar, or student store is not accounted for properly. Cash collections are not supported by sub-receipts, tally sheets, or logs that tie the total collected to the amount reported. Out of three deposits tested, each contained receipts that did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
3. Two of 25 disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
4. Two of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
5. Based on the review of revenue potential activities, it was noted that two of five revenue potentials tested were not mathematically correct, two of five revenue potentials tested did not contain deposit slips with the supporting documentation. As a result, auditor was unable to trace funds raised to money deposited, one of five revenue potentials tested noted revenues of $3,940; however, deposit slips amount to $2,740.
6. One of the five ticket sales report forms tested were incomplete. The forms did not have an explanation of why there was a shortage.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts, tally sheets, or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book, tally sheet, or log sheet. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. All goods ordered and received should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
5. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
6. All ticket sales report form must be completely filled out at the end of each event. The form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the ticket and number sold. The form is also used to document overages and shortages. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the event.

<u>Santa Ana Valley High School</u>

Observations

1. Two of four deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 14 to 16 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Two of 17 disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.

3. One of the 17 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that six of seven revenue potential forms used for fundraising events was not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.
5. One of the three ticket sales report forms tested were incomplete. The forms did not have an explanation of why there was a shortage.
6. The ASB uses a master ticket log to account for all tickets on hand and used during the year; however, it was noted that four of nine ticket rolls selected for testing the ending ticket number per the rolls did not agree to the log.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. All goods ordered and received should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
5. All ticket sales report form must be completely filled out at the end of each event. The form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the ticket and number sold. The form is also used to document overages and shortages. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the event.

6. A master ticket log should be maintained accurately which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Lorin Griset Academy

Observations

1. Revenue potential forms are prepared and complete; however, the revenues reported on the revenue potential are not supported by sub-receipts, tally sheets, or logs that tie the total collected to amounts reported.
2. Disbursements for the two revenue potential events tested did not contain explicit receiving documentation to indicate that goods had been received.

Recommendations

1. Pre-numbered triplicate receipts, tally sheets, or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book, tally sheet, or log sheet. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. All goods ordered and received should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

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

Eide Bailly LLP

Rancho Cucamonga, California
February 15, 2021