

AZUSA UNIFIED SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Azusa Unified School District
Azusa, California

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and required supplementary information on pages 64 through 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshmal & Company LLP

San Diego, California
December 15, 2023

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

INTRODUCTION

This section of Azusa 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, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for FY 2023 are as follows:

- At year-end the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$58,851,361 i.e. net position (deficit), an increase of \$45,582,344 in total net position over FY 2022.
- General revenues (property taxes and unrestricted revenue) accounted for \$117,438,659 or 55.41% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants and contributions accounted for \$94,488,597 or 44.59% of total revenues of \$211,927,256. Total expense was \$166,503,427.
- The District has two major funds - the General Fund, and the Building Fund.
 - At the end of FY 2023, the fund balance of the General Fund, as required by GASB 54, was \$71,245,185. Of this total, \$4,182,085 was unassigned. The General Fund had \$178,268,605 in revenues and transfers in, and \$139,928,559 in expenditures and transfers out, an increase in fund balance of \$38,340,046 from the prior year.
 - Building Fund revenues and expenditures can vary significantly from one year to the next for a variety of reasons. The ending fund balance for FY 2023 was \$33,050,591, which was \$827,798 less than the prior year. This increase can be attributed to proceeds from new issue and sale of bonds.

OVERVIEW OF 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 and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

The *Proprietary Funds* reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

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 Azusa 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 the year to year. 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.

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of TK to grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. These activities are paid for by a mix of Federal, State, and Local funds, including property taxes, user fees, interest income, and general obligation bonds.

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 may establish 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.

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

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 statements.

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 WHOLE

Net Position

The District's net position (deficit) was \$(58,851,361) for the fiscal year ended June 30, 2023, an increase in net position from the prior year by \$45,582,344. Of this amount, \$4,385,850 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net positions for day-to-day operations. The analysis, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

Table 1: Statement of Net Position

	Governmental Activities			Percentage Change
	June 30, 2023	June 30, 2022	Net Change	
Assets:				
Current and other assets	\$ 204,205,536	\$ 142,200,025	\$ 62,005,511	43.60 %
Capital assets and right to use assets	96,138,749	88,139,276	7,999,473	9.08 %
Total assets	300,344,285	230,339,301	70,004,984	30.39 %
Deferred outflows of resources	30,441,459	26,067,709	4,373,750	16.78 %
Liabilities:				
Current liabilities	59,380,029	25,661,946	33,718,083	131.39 %
Long-term liabilities	309,557,697	276,255,733	33,301,964	12.05 %
Total liabilities	368,937,726	301,917,679	67,020,047	22.20 %
Deferred inflows of resources	20,699,379	58,923,036	(38,223,657)	(64.87)%
Net position:				
Net investment in capital assets	(89,794,541)	(94,352,790)	4,558,249	4.83 %
Restricted	26,557,330	34,063,392	(7,506,062)	(22.04)%
Unrestricted	4,385,850	(44,144,307)	48,530,157	109.94 %
Total net position	\$ (58,851,361)	\$(104,433,705)	\$ 45,582,344	43.65 %

In comparing FY 2023 to the prior year we noted the following:

- Current and other assets increased by \$62,005,511.
- Capital assets and right to use lease assets increased by \$7,999,473, due to Implementation of GASB-87 and addition in capital assets.
- Long-term liabilities increased by \$33,301,964, primarily due to increase of net pension liabilities of the District. Under GASB 75, the OPEB liabilities in FY 2023 Increased by \$185,537. For more information, see Note - 8 and Note - 9 Long-Term Obligations, in the “Notes to the Basic Financial Statements” section.
- Under GASB 68, the net pension liabilities recorded in FY 2023 increased by \$30,365,433. For more information on pension, see Note - 12 Employee Retirement Systems, in the “Notes to the Basic Financial Statements” section.
- Current liabilities in FY 2023 increased by \$33,718,083.
- Of our total net position, net investment in capital assets increased by \$4,558,249. The restricted net position decreased by \$7,506,062. The unrestricted net position increased by \$48,530,157.

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

Changes in Net Position

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

Table 2: Changes in Net Position

	Governmental Activities			
	June 30, 2023	June 30, 2022	Change	Percentage Change
REVENUES:				
Program revenues:				
Charges for services	\$ 5,348,741	\$ 6,128,968	\$ (780,227)	(12.73)%
Operating grants and contributions	85,900,291	44,056,320	41,843,971	94.98 %
Capital grants and contributions	3,239,565	-	3,239,565	100.00 %
General revenues:				
Property taxes	33,064,818	29,179,577	3,885,241	13.31 %
Unrestricted federal and state aid	82,844,561	72,599,417	10,245,144	14.11 %
Other general revenue	<u>1,529,280</u>	<u>2,881,801</u>	<u>(1,352,521)</u>	<u>(46.93)%</u>
Total revenues	<u>211,927,256</u>	<u>154,846,083</u>	<u>57,081,173</u>	<u>36.86 %</u>
EXPENSES:				
Instruction - related services	105,498,411	83,948,775	21,549,636	25.67 %
Pupil services	14,609,951	15,186,979	(577,028)	(3.80)%
General administration	8,580,526	7,689,182	891,344	11.59 %
Plant services and facilities acquisition and maintenance	22,443,609	11,670,447	10,773,162	92.31 %
Ancillary and community services	928,879	761,867	167,012	21.92 %
Debt service	9,400,980	5,238,248	4,162,732	79.47 %
Other outgo	1,359,253	1,440,009	(80,756)	(5.61)%
Enterprise activities	<u>3,681,818</u>	<u>3,744,884</u>	<u>(63,066)</u>	<u>(1.68)%</u>
Total expenses	<u>166,503,427</u>	<u>129,680,391</u>	<u>36,823,036</u>	<u>28.40 %</u>
Change in net position	<u>45,423,829</u>	<u>25,165,692</u>	<u>20,258,137</u>	<u>80.50 %</u>
Net position beginning of the year	(104,433,705)	(129,647,880)	25,214,175	19.45 %
Prior period adjustments	<u>158,515</u>	<u>48,483</u>	<u>110,032</u>	<u>226.95 %</u>
Net position beginning of the year, as restated	<u>(104,275,190)</u>	<u>(129,599,397)</u>	<u>25,324,207</u>	<u>19.54 %</u>
Net position end of the year	<u><u>\$ (58,851,361)</u></u>	<u><u>\$ (104,433,705)</u></u>	<u><u>\$ 45,582,344</u></u>	<u><u>43.65 %</u></u>

The most significant changes resulted in the following:

- Property tax collections were higher due to an increase in property assessed valuations.
- Other general revenues decreased as a result of decrease in interest and investment earnings and decrease in miscellaneous income.
- Expenses on instruction and instruction related services increase in FY 2023.
- Expenses on plant services increase in FY 2023.

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities

As reported in the *Statement of Activities* on Page 15, the net cost of all governmental activities this year was \$72,014,830. However, the amount that taxpayers ultimately financed for these activities through local taxes was \$33,064,818 because the cost was paid by those who benefited from the programs \$5,348,741 or by other governments and organizations who subsidized certain programs with grants and contributions \$89,139,856. We paid for the remaining "public benefit" portion of our governmental activities with \$84,373,841 in general revenue, 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. 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 citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3: Net Cost of Services

	Net Cost of Services			Percentage Change
	2023	2022	Change	
Instruction	\$ 33,917,899	\$ 41,443,296	\$ (7,525,397)	(18.16)%
Instruction-related services	(641,337)	11,257,868	(11,899,205)	(105.70)%
Pupil services	5,350,117	5,539,253	(189,136)	(3.41)%
General administration	6,626,321	6,714,340	(88,019)	(1.31)%
Plant services and facilities acquisition and maintenance	18,245,797	10,987,393	7,258,404	66.06 %
Ancillary and community services	371,351	(1,590,885)	1,962,236	(123.34)%
Debt service	9,400,980	5,238,248	4,162,732	79.47 %
Transfers to other agencies	390,595	907,459	(516,864)	(56.96)%
Enterprise activities	<u>(1,646,893)</u>	<u>(1,001,869)</u>	<u>(645,024)</u>	<u>64.38 %</u>
Total	<u>\$ 72,014,830</u>	<u>\$ 79,495,103</u>	<u>\$ (7,480,273)</u>	<u>(9.41)%</u>

The expense categories shown in Table 3 are summarized below.

“Instruction” expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

“Instruction-related services” and “Pupil services” include the activities involved with assisting staff with the content and process of teaching to pupils, as well as direct non-instructional services to students (including health, library, transportation, and other services).

“General administration” costs include expenses associated with the administrative and financial supervision of the District.

“Plant services” involve keeping the school grounds, buildings, and equipment in good working condition.

“Other” includes expenses associated with the ancillary services, community services, enterprises services, and other outgo. reflects the cost of in-district students attending charter schools outside the District.

“Interest and fiscal charges” involve the transactions associated with the payment of interest and other charges related to debt of the District.

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$135,381,435, which is an increase of \$27,621,995 from last year (Table 4).

Table 4: District's Fund

Governmental Fund	Balances and Activity						Percentage Change
	July 01, 2022, restated	Revenue	Expenditure	Other Financing Sources/(Uses)	June 30, 2023	Change	
Major Fund							
General Fund	\$ 32,905,139	\$ 178,268,605	\$ 139,928,559	\$ -	\$ 71,245,185	\$ 38,340,046	116.52 %
Building Fund	33,878,389	780,605	1,608,403	-	33,050,591	(827,798)	(2.44)%
Total Major Fund Balance	66,783,528	179,049,210	141,536,962	-	104,295,776	37,512,248	56.17 %
Nonmajor Fund							
Student Activity Fund	450,856	387,398	556,735	-	281,519	(169,337)	(37.56)%
Adult Education Fund	794,975	2,020,154	2,014,946	-	800,183	5,208	0.66 %
Child Development Fund	95,591	3,423,320	3,455,168	-	63,743	(31,848)	(33.32)%
Cafeteria Fund	3,599,573	7,144,287	6,080,154	-	4,663,706	1,064,133	29.56 %
Capital Facilities Fund	6,031,160	849,671	9,854,269	4,625,000	1,651,562	(4,379,598)	(72.62)%
State School Building Lease - Purchase Fund	174	4	-	-	178	4	2.30 %
County School Facilities Fund	11,728,477	3,239,565	10,332,788	-	4,635,254	(7,093,223)	(60.48)%
Special Reserve Fund for Capital Outlay Projects	10,571,511	824,117	981,723	-	10,413,905	(157,606)	(1.49)%
Bond Interest and Redemption	7,703,595	9,660,819	8,788,805	-	8,575,609	872,014	11.32 %
Total Nonmajor Fund Balance	40,975,912	27,549,335	42,064,588	4,625,000	31,085,659	(9,890,253)	(24.14)%
Total	\$ 107,759,440	\$ 206,598,545	\$ 183,601,550	\$ 4,625,000	\$ 135,381,435	\$ 27,621,995	25.63 %

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

The primary reasons for these increases/decreases are:

- The General Fund is the District's principal operating fund. The fund balance in the General Fund increased by \$38,340,046. This can be attributed to effective and proactive general budget management and oversight and increase in restricted program reserves.
- The Building Fund balance decreased by \$827,798.
- The Nonmajor Governmental Fund balance decreased by \$9,890,253.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the annual report on page 64.)

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Total revenues	\$159,687,463	\$154,376,057	\$178,268,605	\$ 23,892,548
Total expenditures	<u>167,128,030</u>	<u>157,311,549</u>	<u>139,928,559</u>	<u>(17,382,990)</u>
Excess/(deficiency) of revenues over/(under) expenditures	(7,440,567)	(2,935,492)	38,340,046	41,275,538
Total other financing sources/(uses)	<u>(580,000)</u>	<u>(580,000)</u>	-	<u>580,000</u>
Net change in fund balance	<u>\$ (8,020,567)</u>	<u>\$ (3,515,492)</u>	<u>\$ 38,340,046</u>	<u>\$ 41,855,538</u>

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2023, the District had \$96,138,749 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, equipment and lease assets. This amount represents a net decrease (including additions, amortization and depreciation) of \$(7,999,473) from last year (Table 5).

Table 5: Capital Assets

	Governmental Activities			Percentage Change
	June 30, 2023	June 30, 2022	Net Change	
CAPITAL ASSETS				
Land and construction in progress	\$ 3,116,150	\$ 3,116,150	\$ -	- %
Land improvements	44,002,639	44,002,639	-	- %
Buildings & improvements	167,137,403	161,882,433	5,254,970	3.25 %
Furniture & equipment	16,937,711	10,884,147	6,053,564	55.62 %
Less : Accumulated depreciation	(139,431,994)	(131,746,093)	(7,685,901)	5.83 %
Right to use lease assets	4,625,000	-	4,625,000	100.00 %
Less : Accumulated amortization	(248,160)	-	(248,160)	100.00 %
Total Capital Assets	<u>\$ 96,138,749</u>	<u>\$ 88,139,276</u>	<u>\$ 7,999,473</u>	<u>9.08 %</u>

Long-Term Liabilities

At the end of this year, the District had \$309,557,697 in long-term obligations outstanding versus \$276,255,733 last year, a decrease of \$33,301,964. Long-term obligations consisted of:

Table 6: Outstanding Long-Term Debt

	Governmental Activities			Percentage Change
	June 30, 2023	June 30, 2022	Change	
LONG-TERM LIABILITIES				
General obligation bonds	\$ 189,887,091	\$ 184,746,614	\$ 5,140,477	2.78 %
Certificates of Participation	-	4,740,000	(4,740,000)	(100.00)%
Unamortized premiums/(discounts)	5,067,530	5,481,899	(414,369)	(7.56)%
Supplemental early retirement plan	591,853	1,181,907	(590,054)	(49.92)%
Compensated absences	643,455	459,363	184,092	40.08 %
Claims liability	2,632,442	3,750,594	(1,118,152)	(29.81)%
OPEB liability	17,552,836	17,367,299	185,537	1.07 %
Lease liability	4,289,000	-	4,289,000	100.00 %
Pension liability	88,893,490	58,528,057	30,365,433	51.88 %
Total long-term liabilities	<u>\$ 309,557,697</u>	<u>\$ 276,255,733</u>	<u>\$ 33,301,964</u>	<u>12.05 %</u>

**AZUSA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

The District's general obligation bond rating continues to be AA- as rated by S&P Global Ratings previously known as Standard and Poor's. The State of California limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is significantly below this statutorily-imposed limit.

Other liabilities include certificates of participation, supplemental early retirement plans, compensated absences payable, claims liabilities, pension liability, and net other postemployment benefits (OPEB) liability. Detailed information regarding long-term liabilities is presented in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2023-24 year, the Board of Education and management used the following assumption:

- The District utilized the Local Control Funding Formula (LCFF) when developing the budget.
- LCFF funding is based on \$15,690 per ADA. This represents an increase of \$1,343 per ADA from the 2022-2023 year.
- The District's projected an unduplicated pupil count of 5,833 or 87.88 percent.
- Average Teacher Salary and Benefits for 2022-23 for 187 days of teaching is \$111,712.
- The budget was built with the following FTE (full-time equivalent) allocations:
 - 408 (Certificated Staff)
 - 297 (Classified Staff)
 - 69 (Management/Supervisors/Confidential Staff)
- The fiscal year 2022-2023 includes Step and Column increase for Certificated, Classified, and Management.
- Increase in CalSTRS, CalPERS, and Health and Welfare rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact:

Latasha D. Jamal, Assistant Superintendent, Business Services
Azusa Unified School District
546 South Citrus Avenue
Azusa, California, 91702
e-mail at ljamal@azusa.org

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

**AZUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and investments	\$ 148,659,303
Accounts receivable	3,536,743
Other current assets	401,419
Prepaid expenses	581,127
Stores inventory	40,367
Due from grantor govt.	50,986,577
Capital assets, not being depreciated	3,116,150
Capital assets, net of accumulated depreciation	88,645,759
Right to use assets, net of accumulated amortization	4,376,840
Total assets	300,344,285
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	28,490,848
Deferred outflows related to OPEB	433,337
Deferred amount on refunding	1,517,274
Total deferred outflows of resources	30,441,459
Total assets and deferred outflows of resources	330,785,744
LIABILITIES	
Accounts payable	23,768,145
Interest payable	1,980,530
Due to grantor govt.	2,992,984
Unearned revenue	30,638,370
Claims liability	2,632,442
Long-term liabilities, other than OPEB and pension, current portion	5,942,853
Long-term liabilities, other than OPEB and pensions, non-current portion	194,536,076
Net other postemployment benefits liability (OPEB)	17,552,836
Net pension liability	88,893,490
Total liabilities	368,937,726
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	16,569,325
Deferred inflows related to OPEB	4,130,054
Total deferred inflows of resources	20,699,379
NET POSITION	
Net investment in capital assets	(89,794,541)
Restricted for:	
Capital projects	12,728,169
Educational programs	343,622
Child nutrition services	4,693,379
Self-insurance	8,792,160
Unrestricted	4,385,850
Total net position	(58,851,361)
Total liabilities, deferred inflows of resources and net position	\$ 330,785,744

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

**AZUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Function/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue and Changes in Net Position
		Charges for Services and sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 89,203,243	\$ (155,725)	\$52,201,504	\$ 3,239,565	\$ (33,917,899)
Instruction-related services					
Instructional supervision and administration	5,276,450	(7,170)	16,116,668	-	10,833,048
Instructional library, media, and technology	2,334,644	-	111,158	-	(2,223,486)
School site administration	8,684,074	-	715,849	-	(7,968,225)
Pupil services					
Home-to-school transportation	1,082,139	-	-	-	(1,082,139)
Food services	6,190,590	-	6,971,588	-	780,998
All other pupil services	7,337,222	(29,696)	2,317,942	-	(5,048,976)
General administration					
Centralized data processing	830,985	-	-	-	(830,985)
All other general administration	7,749,541	123	1,954,082	-	(5,795,336)
Plant services	2,638,379	638	212,488	-	(2,425,253)
Facilities acquisition and maintenance	19,805,230	147,627	3,837,059	-	(15,820,544)
Ancillary services	928,879	6	557,522	-	(371,351)
Enterprise activities	3,681,818	5,328,711	-	-	1,646,893
Interest on long-term debt	9,400,980	-	-	-	(9,400,980)
Other outgo	1,359,253	64,227	904,431	-	(390,595)
Total governmental activities	\$ 166,503,427	\$ 5,348,741	\$85,900,291	\$ 3,239,565	(72,014,830)
General revenues:					
Taxes and subventions:					
Property taxes, levied for general purposes					22,298,062
Property taxes, levied for debt service					9,543,461
Property taxes, levied for other specific purposes					1,223,295
Federal and state aid not restricted for specific purposes					82,844,561
Investment income, net					(594,020)
Intra agency revenue					988,122
Miscellaneous					1,135,178
Total general revenues					117,438,659
Change in net position					45,423,829
Net position - beginning of year					(104,433,705)
<i>Restatement</i>					158,515
Net position - beginning of year, <i>restated</i>					(104,275,190)
Net position - ending of year					\$ (58,851,361)

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

FUND FINANCIAL STATEMENTS

**AZUSA UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 68,227,715	\$ 33,522,246	\$ 34,380,352	\$ 136,130,313
Accounts receivable	1,634,292	352,757	1,434,397	3,421,446
Due from grantor govt.	49,469,227	-	1,517,350	50,986,577
Other current assets	401,419	-	-	401,419
Prepaid expenditures	419,223	-	161,904	581,127
Stores inventory	-	-	40,367	40,367
	<u>120,151,876</u>	<u>33,875,003</u>	<u>37,534,370</u>	<u>191,561,249</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	15,282,950	824,412	6,441,098	22,548,460
Due to grantor govt.	2,992,984	-	-	2,992,984
Unearned revenue	30,630,757	-	7,613	30,638,370
	<u>48,906,691</u>	<u>824,412</u>	<u>6,448,711</u>	<u>56,179,814</u>
FUND BALANCES				
Nonspendable	444,223	-	202,271	646,494
Restricted	47,120,859	3,953,801	14,156,631	65,231,291
Committed	9,779,184	-	-	9,779,184
Assigned	9,718,834	29,096,790	16,796,797	55,612,421
Unassigned	4,182,085	-	(70,040)	4,112,045
	<u>71,245,185</u>	<u>33,050,591</u>	<u>31,085,659</u>	<u>135,381,435</u>
Total liabilities and fund balances	<u>\$ 120,151,876</u>	<u>\$ 33,875,003</u>	<u>\$ 37,534,370</u>	<u>\$ 191,561,249</u>

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

**AZUSA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances - governmental funds		\$ 135,381,435
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not short-term financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	231,193,903	
Less: accumulated depreciation	<u>(139,431,994)</u>	91,761,909
Right to use leased assets	4,625,000	
Less: accumulated amortization	<u>(248,160)</u>	4,376,840
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:		
		(1,980,530)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds	(189,887,091)	
Premium on bond issuance	(5,067,530)	
Compensated absences (vacations)	(643,455)	
Lease payable	(4,289,000)	
Supplemental early retirement plan	<u>(591,853)</u>	(200,478,929)
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		
Debt refundings (deferred charge on refunding)	1,517,274	
Net pension liability	28,490,848	
Net other postemployment benefits (OPEB) liability	<u>433,337</u>	30,441,459
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net other postemployment benefits (OPEB) liability	(4,130,054)	
Net pension liability	<u>(16,569,325)</u>	(20,699,379)

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

**AZUSA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Internal service funds:

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

Net position for internal service funds is:	8,792,160
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(88,893,490)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	<u>(17,552,836)</u>
Total net position - governmental activities	<u><u>\$ (58,851,361)</u></u>

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

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
LCFF sources	\$ 102,972,896	\$ -	\$ -	\$ 102,972,896
Federal sources	17,905,922	-	5,483,666	23,389,588
Other state sources	50,708,026	-	9,818,205	60,526,231
Other local sources	<u>6,681,761</u>	<u>780,605</u>	<u>12,247,464</u>	<u>19,709,830</u>
Total revenues	<u>178,268,605</u>	<u>780,605</u>	<u>27,549,335</u>	<u>206,598,545</u>
EXPENDITURES				
Current				
Instruction	91,504,331	-	4,298,621	95,802,952
Instruction-related services				
Instructional supervision and administration	5,058,502	-	217,948	5,276,450
Instructional library, media, and technology	1,858,591	-	-	1,858,591
School site administration	8,108,066	-	576,008	8,684,074
Pupil services				
Home-to-school transportation	923,454	-	-	923,454
Food services	257,953	-	5,932,637	6,190,590
All other pupil services	7,034,080	-	144,456	7,178,536
General administration				
Centralized data processing	751,803	-	-	751,803
All other general administration	7,122,622	-	230,207	7,352,829
Plant services	12,771,619	-	699,241	13,470,860
Ancillary services	928,879	-	-	928,879
Facilities acquisition and maintenance	2,249,406	1,608,403	15,947,421	19,805,230
Other outgo	1,359,253	-	-	1,359,253
Debt service:				
Principal	-	-	9,081,638	9,081,638
Interest	-	-	4,936,411	4,936,411
Total expenditures	<u>139,928,559</u>	<u>1,608,403</u>	<u>42,064,588</u>	<u>183,601,550</u>
Excess/(deficiency) of revenues over/(under) expenditures	38,340,046	(827,798)	(14,515,253)	22,996,995
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	<u>-</u>	<u>-</u>	<u>4,625,000</u>	<u>4,625,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,625,000</u>	<u>4,625,000</u>
Net change in fund balance	<u>38,340,046</u>	<u>(827,798)</u>	<u>(9,890,253)</u>	<u>27,621,995</u>
Fund balances - beginning of year	33,065,493	33,878,389	40,657,043	107,600,925
<i>Restatement</i>	<u>(160,354)</u>	<u>-</u>	<u>318,869</u>	<u>158,515</u>
Fund balances - beginning of year, <i>restated</i>	<u>32,905,139</u>	<u>33,878,389</u>	<u>40,975,912</u>	<u>107,759,440</u>
Fund balance - end of year	<u>\$ 71,245,185</u>	<u>\$ 33,050,591</u>	<u>\$ 31,085,659</u>	<u>\$ 135,381,435</u>

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

AZUSA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds \$ 27,621,995

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

Capital outlay:

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

Expenditures for capital outlay	15,933,534	
Depreciation expense	(7,685,901)	
Amortization expense	<u>(248,160)</u>	7,999,473

Debt service:

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

General obligation bonds:		4,235,000
Certificate of participation:		4,740,000

Lease proceeds:

In governmental funds, proceeds from lease payable provides current financial resources, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items were:

Proceeds from lease issuance:	(4,625,000)	
Lease liability payment	<u>336,000</u>	(4,289,000)

Unmatured interest on long-term debt:

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

(9,375,477)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(21,823)

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

**AZUSA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

OPEB:

In governmental funds, Other postemployment are recorded in the governmental funds to the extend of amounts actually funded. In the statement of activities, however, the expenses is recorded for the full amount of the accrual - basis annual OPEB cost., was: 769,301

Compensated absences and early retirement incentives:

In governmental funds, compensated absences and supplemental early retirement plan are measured by the amounts paid during the period. In the statement of activities, compensated absences and supplemental early retirement plan are measured by the amount earned. The difference between compensated absences and supplemental early retirement plan paid and compensated absences and supplemental early retirement plan earned, was: 405,962

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 11,778,954

Amortization:

In governmental funds report the effect of premiums, issuance costs, and the deferred charges on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities:

Premium amortization	485,229
Discount amortization	(70,860)
Amortization of deferred charges on refunding	(501,818)

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 1,646,893

Changes in net position - governmental activities \$ 45,423,829

**AZUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023**

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 12,528,990
Accounts receivable	<u>115,297</u>
Total assets	<u>12,644,287</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,219,685
Current portion of claims liabilities on unpaid claims and ULAE	<u>170,359</u>
Total current liabilities	<u>1,390,044</u>
Noncurrent liabilities	
Liabilities on unpaid claims and ULAE, net of current portion	<u>2,462,083</u>
Total noncurrent liabilities	<u>2,462,083</u>
Total liabilities	<u>3,852,127</u>
NET POSITION	
Restricted	<u>8,792,160</u>
Total net position	<u><u>\$ 8,792,160</u></u>

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

**AZUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUE	
Charges for services	\$ 4,329,480
Credit for estimated unpaid claims	929,517
Credit for unallocated loss adjustment expenses	<u>69,714</u>
Total operating revenues	<u>5,328,711</u>
OPERATING EXPENSE	
Professional services and contracts	756,043
Insurance premiums	<u>2,925,775</u>
Total operating expenses	<u>3,681,818</u>
Operating income/(loss)	<u>1,646,893</u>
Change in net position	1,646,893
Net position - beginning of year	<u>7,145,267</u>
Net position - ending of year	<u><u>\$ 8,792,160</u></u>

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

**AZUSA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Internal Service Fund
Cash flows from operating activities:	
Cash receipts from interfund services provided	\$ 5,328,711
Cash payments from claims and claims administration	(3,752,381)
Cash received from other receipts	2,085,946
Cash payments for insurance premium	(2,925,775)
Net cash provided (used) by operating activities	736,501
Change in cash and cash equivalent	736,501
Cash and cash equivalent - beginning of year	11,792,489
Cash and cash equivalent - end of year	\$ 12,528,990
Reconciliation of operating income (loss) to cash provided (used) by operating activities:	
Operating income/(loss)	\$ 1,646,893
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(71,677)
Prepaid expenses	69,890
Accounts payable	209,547
Unpaid claims and ULAE liabilities	(1,118,152)
Net cash provided (used) by operating activities	\$ 736,501

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

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Azusa Unified School District (the "District") was organized in 1961 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 Kindergarten - 12 as mandated by the State and/or Federal agencies. The District operates eleven elementary schools, three middle schools, two high schools, and two alternative education 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 Azusa 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 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 units, 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 Azusa Unified School District Facilities Corporation's (the "Corporation") financial activity is presented in the financial statements in the Building Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

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 are typically 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 nonmajor governmental funds:

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$38,179,692.

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.

Nonmajor Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and 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.

- o **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- o **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or assigned for adult education programs and are to be expended for adult education purposes only.
- o **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.
- o **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for and report 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).

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

- o **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).
- o **State School Building Lease-Purchase Fund** The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).
- o **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionment 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), 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 facilities construction, modernization projects, and facilities hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- o **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects is used to account for funds set aside for Board designated construction projects.

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.

- o **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).
- o **Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

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 dental care and workers' compensation self-insurance programs that are accounted for in the internal service fund. In addition, the District accounts for their property and liability premium payments in an internal service fund.

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset 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. Nonmajor 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

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

Proprietary Funds Proprietary funds are accounted for using 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.

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 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 obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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

Cash and Cash Equivalents

The District's cash and cash equivalents 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 the county investment pool are determined by the program sponsor.

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 and expenses in the proprietary 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. 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, 20 to 50 years; furniture, equipment, and vehicles, 5 to 15 years.

Interfund Balances

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

Compensated Absences

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

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

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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, long-term liabilities are reported as liabilities in the applicable governmental activities 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 and discounts 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.

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 OPEB related items and pension related items.

Pensions

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

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognize benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

Lessee

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fund Balances - Governmental Funds

As of June 30, 2023, 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 on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

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 \$26,557,330, of net position which is restricted by enabling legislation.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Operating Revenues and Expenses

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

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 Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

The District adopted the following new accounting pronouncements issued by the GASB during the current fiscal year ended June 30, 2023:

Implementation of GASB Statement No. 91:-

As of July 1, 2022, the District adopted GASB Statement No. 91, Conduit Debt Obligations. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. As a result, there is no material effect of the implementation of this standard on the beginning net position.

Implementation of GASB Statement No. 94:-

As of July 1, 2022, the District adopted GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA). The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. {to be modified depending on the structure of the arrangement}. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

New Accounting Pronouncements - Cont'd

As of July 1, 2022, the District adopted GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA). The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of a right-to-use asset-intangible asset and a corresponding, liability {to be modified depending on the structure of the arrangement}. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96:-

As of July 1, 2022, the District adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was not a significant effect on the District's financial statements as a result of the implementation of the standard..

NOTE 2 - DEPOSIT AND INVESTMENT

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 136,130,313
Proprietary funds	<u>12,528,990</u>
Total deposits and investments	<u><u>\$ 148,659,303</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 303,369
Cash with fiscal agent	250,000
Cash in revolving	25,000
Investments	<u>148,080,934</u>
Total deposits and investments	<u><u>\$ 148,659,303</u></u>

Deposits and investments include negative cash in county balances that are classified as overdrafts in the financial statements.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - DEPOSIT AND INVESTMENT - CONT'D

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:

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

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - DEPOSIT AND INVESTMENT - CONT'D

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 money market funds.

The District maintains an investment of \$148,080,934, with the Los Angeles County Investment Pool. This investment has an average weighted maturity of 753 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Investment Pool and money market funds are not required to be rated, nor have they been rated as of June 30, 2023.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. 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. At June 30, 2023, the District's bank balance of \$291,038 was exposed to custodial credit risk because it was insured and uncollateralized.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total Governmental Activities</u>
Federal Government					
Categorical aid	\$ 112,815	\$ -	\$ 734,529	\$ -	\$ 847,344
State Government					
Categorical aid	608,246	-	32,337	-	640,583
Local Government					
Other local sources	<u>913,231</u>	<u>352,757</u>	<u>667,531</u>	<u>115,297</u>	<u>2,048,816</u>
TOTAL	<u>\$ 1,634,292</u>	<u>\$ 352,757</u>	<u>\$ 1,434,397</u>	<u>\$ 115,297</u>	<u>\$ 3,536,743</u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated				
Land	\$ 1,491,489	\$ -	\$ -	\$ 1,491,489
Construction in progress	1,624,661	-	-	1,624,661
Total capital assets not being depreciated	<u>3,116,150</u>	<u>-</u>	<u>-</u>	<u>3,116,150</u>
Capital assets being depreciated				
Land improvements	44,002,639	-	-	44,002,639
Buildings and improvements	161,882,433	5,254,970	-	167,137,403
Furniture and equipment	10,884,147	6,053,564	-	16,937,711
Total capital assets being depreciated	<u>216,769,219</u>	<u>11,308,534</u>	<u>-</u>	<u>228,077,753</u>
Total capital assets	<u>219,885,369</u>	<u>11,308,534</u>	<u>-</u>	<u>231,193,903</u>
Accumulated depreciation				
Land improvements	(9,228,708)	(2,058,658)	-	(11,287,366)
Buildings and improvements	(113,871,629)	(5,141,547)	-	(119,013,176)
Furniture and equipment	(8,645,756)	(485,696)	-	(9,131,452)
Total accumulated depreciation	<u>(131,746,093)</u>	<u>(7,685,901)</u>	<u>-</u>	<u>(139,431,994)</u>
Governmental activities capital assets, net	<u>88,139,276</u>	<u>3,622,633</u>	<u>-</u>	<u>91,761,909</u>
Right-to-use leased assets, being amortized:				
Leased assets	-	4,625,000	-	4,625,000
Total right-to-use leased assets, being amortized	-	4,625,000	-	4,625,000
Less: accumulated amortization	-	(248,160)	-	(248,160)
Total right-to-use leased assets, net	-	<u>4,376,840</u>	-	<u>4,376,840</u>
Governmental activities capital assets and right-to-use leased assets, net	<u>\$ 88,139,276</u>	<u>\$ 7,999,473</u>	<u>\$ -</u>	<u>\$ 96,138,749</u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 - CAPITAL ASSETS - CONT'D

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

Governmental Activities	
Instruction	\$ 6,188,690
Instructional library, media, and technology	476,053
Home-to-school transportation	158,685
All other pupil services	158,686
Data processing	79,182
All other administration	396,712
Plant services	<u>476,053</u>
Total depreciation expenses governmental activities	<u><u>\$ 7,934,061</u></u>

NOTE 5 - INTERFUND TRANSACTION

Interfund transactions are reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables as at June 30, 2023, between major and nonmajor governmental funds are \$0.

NOTE 6 - ACCOUNTS PAYABLE

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total Governmental Activities</u>
Vendor payables	\$ 15,282,950	\$ -	\$ 6,441,098	\$ 1,219,685	\$ 22,943,733
Construction	<u>-</u>	<u>824,412</u>	<u>-</u>	<u>-</u>	<u>824,412</u>
Total	<u><u>\$ 15,282,950</u></u>	<u><u>\$ 824,412</u></u>	<u><u>\$ 6,441,098</u></u>	<u><u>\$ 1,219,685</u></u>	<u><u>\$ 23,768,145</u></u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 - UNEARNED REVENUE

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

	General Fund	Nonmajor Governmental Funds	Total
Federal financial assistance	\$ 26,517,871	\$ 6,611	\$ 26,524,482
State categorical aid	4,112,886	-	4,112,886
Other local	-	1,002	1,002
Total	<u>\$ 30,630,757</u>	<u>\$ 7,613</u>	<u>\$ 30,638,370</u>

NOTE 8 - LONG-TERM LIABILITIES

Summary

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

<u>Long-Term Liabilities</u>	<u>Balance July 01, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>	<u>Due In One Year</u>
General obligation bonds	\$ 184,746,614	\$ 9,375,477	\$ 4,235,000	\$ 189,887,091	\$ 5,145,000
Certificates of participation	4,740,000	-	4,740,000	-	-
Premium on bond issuance	5,552,759	-	485,229	5,067,530	-
Discount on issuance	(70,860)	-	70,860	-	-
Supplemental early retirement plan	1,181,907	-	590,054	591,853	591,853
Compensated absences	459,363	184,092	-	643,455	-
Claims liability	3,750,594	-	1,118,152	2,632,442	170,359
Lease payable	-	4,625,000	336,000	4,289,000	206,000
Total	<u>\$ 200,360,377</u>	<u>\$14,184,569</u>	<u>\$11,575,295</u>	<u>\$203,111,371</u>	<u>\$ 6,113,212</u>

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund with local revenues. Payments for certificates of participation are made by the Building Fund. The compensated absences will be paid for by the fund in which the employee worked which generally includes the General Fund, Adult Education Fund, Child Development Fund, and Cafeteria Fund. Claims liability is paid by the Internal Service Fund. The Supplemental early retirement plan is paid by the General Fund.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 - LONG-TERM LIABILITIES - CONT'D

General Obligation Bonds

The District has pledged all revenues from the ad valorem taxes collected by Los Angeles County for the payment of all bonds of the District, heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Bond Interest and Redemption Fund to the payment of the principal or redemption price of and interest on the bonds.

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2022</u>	<u>Issued</u>	<u>Interest Accreted</u>	<u>Redeemed</u>	<u>Bonds outstanding June 30, 2023</u>
07/10/02	7/1/2027	2.50 to 6.44%	\$29,998,763	\$ 7,134,251	\$ -	\$ 466,346	\$ -	\$ 7,600,597
01/07/10	8/1/2049	2.00 to 7.50%	57,455,978	68,357,363	-	8,909,131	(750,000)	76,516,494
09/01/11	7/1/2024	2.00 to 5.00%	20,285,000	7,875,000	-	-	(2,430,000)	5,445,000
08/04/15	8/1/2044	0.35 to 4.10%	28,000,000	24,135,000	-	-	(170,000)	23,965,000
09/01/16	8/1/2032	2.00 to 5.00%	21,525,000	20,630,000	-	-	(155,000)	20,475,000
12/21/17	8/1/2042	2.00 to 5.00%	25,000,000	250,000	-	-	(250,000)	-
04/03/19	8/1/2044	4.00 to 5.00%	25,000,000	20,525,000	-	-	(200,000)	20,325,000
09/26/19	8/1/2041	1.71 to 2.90%	22,635,000	21,840,000	-	-	(280,000)	21,560,000
06/07/22	8/1/2048	3.00 to 5.00%	14,000,000	14,000,000	-	-	-	14,000,000
				<u>\$184,746,614</u>	<u>\$ -</u>	<u>\$ 9,375,477</u>	<u>\$ (4,235,000)</u>	<u>\$189,887,091</u>

2002 General Obligation Bonds, Series 2002

On July 10, 2002, the District issued General Obligation Bonds Election of 2002, Series 2002, in the amount of \$29,998,763. The bonds were authorized at an election of the registered voters of the District held on March 5, 2022, at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$75 million of general obligation bonds. The issue consisted of Current Interest Serial Bonds of \$22,590,000 with stated interest rates ranging from 2.5 percent to 5.375 percent and fully maturing on July 1, 2022, Term Bonds of \$5,330,000 with a stated interest rate of 5.0 percent due July 1, 2027 and Capital Appreciation Serial Bonds of \$2,078,763 with a final maturity of July 1, 2027. The proceeds from the sale of the bonds were used to finance the renovation construction acquisition and improvement of local school facilities within the District. At June 30, 2023, the principal balance outstanding was \$7,600,597.

2010 General Obligation Revenue Bonds

On January 7, 2010, the District issued \$57,455,978 of General Obligation Revenue Bonds through the California School Facilities Financing Authority (the "Authority"). The net proceeds of \$53,357,775 (after issuance costs of \$3,799,143 and original issue discount of \$299,060) were used to advance refund \$59 million of the District's outstanding 2004 certificates of participation, in addition to paying the costs of issuance of the bonds. The bonds have interest rates ranging from 2.0 percent to 7.50 percent, with a final maturity date of August 1, 2049. A portion of the bonds were refunded with the issuance of the General Obligation Refunding Bonds, Series 2016. At June 30, 2023, the principal balance outstanding was \$76,516,494.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 - LONG-TERM LIABILITIES - CONT'D

General Obligation Bonds - Cont'd

2011 General Obligation Refunding Bonds

On September 1, 2011, the District issued \$20,285,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 2.0 percent to 5.0 percent with annual maturities from July 2012 through July 2024. The net proceeds of \$21,442,821 (after issuance costs of \$428,613 and original issue premium of \$1,586,434) were used to refund a portion of the District's outstanding General Obligation Bonds Election of 2002, Series 2002. Deferred charges on refunding of \$367,168 remain to be amortized. As of June 30, 2023, the principal balance outstanding was \$5,445,000 and unamortized premium was \$122,033.

General Obligation Bonds, Election of 2014, Series A

On August 4, 2015, the District issued General Obligation Bonds Election of 2014, Series A, in the amount of \$28,000,000. The bonds were authorized at an election of the registered voters of the District held on November 4, 2014, at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$92 million of general obligation bonds. The bonds were issued to finance certain authorized projects approved by the voters of the District. The bonds have a final maturity date of August 1, 2044, with interest rates ranging from 2.00 to 5.00 percent. The District received net proceeds of \$28,129,634 (representing the principal amount of \$28,000,000 plus a premium of \$129,634). At June 30, 2023, the principal balance outstanding was \$23,965,000 and unamortized premium was \$93,677.

General Obligation Refunding Bonds, Series 2016

On September 1, 2016, the District issued \$21,525,000 of General Obligation Refunding Bonds. The Bonds consist of current interest bonds bearing fixed rates ranging from 2.0 percent to 5.0 percent with a final maturity date of August 1, 2032. The net proceeds of \$23,780,757 (after issuance costs of \$332,701 and original issue premium of \$2,588,458) were used to refund a portion of the District's outstanding 2010 General Obligation Revenue Bonds. The refunding resulted in a cumulative cash flow savings of \$3,845,600 over the life of the new debt and an economic gain of \$3,004,761 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.47 percent. Deferred charges on refunding of \$2,153,740 remain to be amortized. As of June 30, 2023, the principal balance outstanding was \$20,475,000 and unamortized premium was \$1,456,008.

General Obligation Bonds, Election of 2014, Series B

On December 21, 2017, the District issued General Obligation Bonds, Election of 2014, Series B, in the amount of \$25,000,000. The bonds were authorized at an election of the registered voters of the District held on November 4, 2014, at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$92 million of general obligation bonds. The bonds were issued to finance certain authorized projects approved by the voters of the District. The bonds had an initial final maturity date of August 1, 2042, with interest rates ranging from 2.00 to 5.00 percent.

The District received net proceeds of \$27,396,473 (representing the principal amount of \$25,000,000, plus a premium of \$2,670,223, and issuance costs of \$273,750).

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - LONG-TERM LIABILITIES - CONT'D

General Obligation Bonds - Cont'd

At June 30, 2023, the bonds were subsequently refunded through a refinancing transaction in 2019, denoted as the General Obligation Refunding Bonds, Series 2019. The 2019 Refunding effectively replaced the series B Bonds and was undertaken to achieve cost savings and optimize the debt structure of the District. The decision to refund the Series B Bonds in 2019 was in accordance with prudent financial management practices, and the District has successfully met all repayment obligations.

General Obligation Bonds, Election of 2014, Series C

On April 3, 2019, the District issued General Obligation Bonds, Election of 2014, Series C, in the amount of \$25,000,000. The bonds were authorized at an election of the registered voters of the District held on November 4, 2014, at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$92 million of general obligation bonds. The bonds were issued to finance certain authorized projects approved by the voters of the District. The bonds have a final maturity date of August 1, 2044, with interest rates ranging from 4.00 to 5.00 percent. The District received net proceeds of \$27,824,371 (representing the principal amount of \$25,000,000 plus a premium of \$3,098,121 and issuance costs of \$273,750). At June 30, 2023, the principal balance outstanding was \$20,325,000 and unamortized premium was \$2,502,328.

General Obligation Refunding Bonds, Series 2019

On September 26, 2019, the District issued \$22,635,000 of General Obligation Refunding Bonds, Series 2019. The bonds consist of federally taxable serial bonds bearing interest rates ranging from 1.79 percent to 2.90 percent with a final maturity date of August 1, 2041. The refunding resulted in a cumulative cash flow savings of \$5,756,538 over the life of the new debt and an economic gain of \$3,850,897 based on the difference between present value of the existing debt service requirements and the new debt service requirements discounted at 2.70 percent. At June 30, 2023, the principal balance outstanding was \$21,560,000.

General Obligation Bonds Election of 2014, Series D

On June 7, 2022, the District issued General Obligation Bonds Election of 2014, Series D in the amount of \$14,000,000. The bonds were authorized at an election of the registered voters of the District held on November 4, 2014, at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$92 million of general obligation bonds. The bonds were issued to finance certain authorized projects approved by the voters of the District. The bonds have a final maturity date of August 1, 2040, with interest rates 4.00 percent.

At June 30, 2023, the principal balance outstanding was \$14,000,000 and unamortized premium \$893,484.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 - LONG-TERM LIABILITIES - CONT'D

General Obligation Bonds - Cont'd

Debt Service Requirements to Maturity

The bonds mature through 2050 as follows:

<u>Bonds Maturing Fiscal Year</u>	<u>Principal Including Accreted Interest</u>	<u>Accreted Interest</u>	<u>Compound Interest Paid at Maturity</u>	<u>Total</u>
2024	\$ 5,120,843	\$ 24,157	\$ 4,646,030	\$ 9,791,030
2025	5,368,983	76,017	4,498,527	9,943,527
2026	5,073,069	576,931	4,394,432	10,044,432
2027	5,260,383	829,617	4,335,554	10,425,554
2028	5,623,471	816,529	4,235,552	10,675,552
2029-2033	43,373,297	136,702	16,175,628	59,685,627
2034-2038	42,128,353	31,426,871	9,581,472	83,136,696
2039-2043	45,844,325	50,442,678	4,815,012	101,102,015
2044-2048	26,511,630	68,995,384	480,290	95,987,304
2049-2050	5,582,737	32,682,160	-	38,264,897
Total	<u>\$ 189,887,091</u>	<u>\$ 186,007,046</u>	<u>\$ 53,162,497</u>	<u>\$ 429,056,634</u>

Certificates of Participation

On May 28, 2015, the District issued \$4,920,000 of certificates of participation. The certificates consist of serial certificates for \$2,020,000 with interest rates ranging between 2.0 to 3.75 percent, with maturity dates through August 1, 2030. Additionally, the certificates consist of term certificates of \$750,000 and \$2,150,000 with interest rates of 4.0 percent and 4.25 percent, respectively. The term certificates mature on August 1, 2033 and August 1, 2040, respectively. The net proceeds were used to refund the District's outstanding 2012, certificates of participation.

On April 15, 2022, In accordance with the provisions of sections 17150.1 of the California Education Code, that at the May 17, 2022, meeting of the Board of Trustees of the District, the Board intends to authorize the sale of the District's 2022 Refunding Lease (the "Lease") in an estimated amount of approximately \$4.6 million to refund its existing 2015 Certification of Participation ("2015 COPs"). This proposed refinancing is expected to save the District's general fund approximately \$585,000. The primary source of debt service payment for the lease will be same as the 2015 COPs that the Lease is refunding - the general fund. The District also has its capital facilities funds from which it can borrow.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$643,455.

Supplemental Early Retirement Plan

During 2019-2020, the District offered a voluntary retirement program to qualified certificated and classified employees. Eligibility requirements are that employees must be at least age 55 with 10 or more years of service in the District as of June 30, 2020. VRP benefits are based on 85 percent of the STRS/PERS creditable compensation for the fiscal year. All contributions to the VRP plan will be made by the District, no employee contributions are required to participate. The District will fund the benefits over a five-year period. Currently, there are 36 employees participating in this plan and the District's obligation to those retirees as of June 30, 2023, is \$591,853.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 - LONG-TERM LIABILITIES - CONT'D

Future payments are as follows:

Year Ending June 30	Payment
2024	<u>\$ 591,853</u>
	<u><u>\$ 591,853</u></u>

Claims Liability

Liabilities associated with dental claims and workers' compensation claims are reported when it is probably that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred by not reported (IBNR). Claims liabilities are based upon estimated ultimate cost of settling the claims considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for claims is reported in the Internal Service Fund. The outstanding claims liability as of June 30, 2023 amounted to \$2,632,442 using a discount factor of 2.0 percent. See Note 11 for additional details.

Lease payable

The District has entered into agreement to lease certain property. The lease agreements qualify as other short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Future payments are as follows:

Year ending June 30:	Governmental activities		Total amount
	Principal	Interest	
2024	\$ 206,000	\$ 120,373	\$ 326,373
2025	211,000	114,480	325,480
2026	219,000	108,445	327,445
2027	227,000	102,155	329,155
2028	232,000	95,665	327,665
2029 to 2033	1,261,000	375,122	1,636,122
2034 to 2038	1,454,000	184,089	1,638,089
2039 and thereafter	479,000	13,675	492,675
Total	<u>\$ 4,289,000</u>	<u>\$ 1,114,004</u>	<u>\$ 5,403,004</u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For the fiscal year ended June 30, 2023, the District reported net OPEB liability deferred outflows of resources deferred inflows of resources and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Total OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 17,158,034	\$ 433,337	\$ 4,130,054	\$ (674,009)
Medicare Premium Payment (MPP) Program	<u>394,802</u>	<u>-</u>	<u>-</u>	<u>(95,292)</u>
Total	<u>\$ 17,552,836</u>	<u>\$ 433,337</u>	<u>\$ 4,130,054</u>	<u>\$ (769,301)</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At July 1, 2022, the valuation date the Plan membership consisted of the following:

Retired participants	69
Active employees	<u>744</u>
Total	<u><u>813</u></u>

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District the Azusa Educators Association (AEA) the local California Service Employees Association (CSEA) and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District's AEA, CSEA, and unrepresented groups. For the measurement period of June 30, 2023, the District paid \$1,020,751 in benefits (including implicit rate subsidies).

Total OPEB Liability of the District

The District's total OPEB liability of \$17,158,034 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - CONT'D

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75 percent
Salary increase	2.75 percent average including inflation
Discount rate	4.13 percent
Healthcare cost trend rates	6.75 percent

The discount rate was based on the 20-bond municipal bond yield.

Mortality rates for CalSTRS (certificated employees) were based on the 2020 experience study. Mortality rates for CalPERS (classified employees) were based on the 2021 experience study. 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, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance June 30 2022	\$ 16,877,205
Service cost	643,518
Interest	695,932
Changes of assumptions	(37,870)
Benefit payments	<u>(1,020,751)</u>
Net change in total OPEB liability	<u>280,829</u>
Balance June 30, 2022	<u><u>\$ 17,158,034</u></u>

Changes of assumptions and other inputs are as follows:

- The discount rate as of the end of the fiscal year changed from 4.09% to 4.13% based on the change in 20-year municipal bond yields.
- The healthcare cost trend was updated to a graded scale beginning with 6.75% in the 2023/2024 fiscal year grading down to an ultimate rate of 4.14%.
- Morbidity rates were updated based on the June 2013 Society of Actuaries Study entitled "Health Care Costs - From Birth to Death".
- Mortality, termination, and retirement assumptions for non-certificated participants were updated to reflect the CalPERS 2021 experience study.

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

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

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - CONT'D

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (3.13%)	\$ 18,116,012
Current discount rate (4.13%)	\$ 17,158,034
1% increase (5.13%)	\$ 16,226,525

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (5.75%)	\$ 15,855,094
Current healthcare cost trend rate (6.75%)	\$ 17,158,034
1% increase (7.75%)	\$ 18,623,456

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

For the year ended June 30, 2023, the District recognized OPEB expense (income) of \$(674,009). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,859,969
Changes of assumptions	433,337	2,270,085
Total	\$ 433,337	\$ 4,130,054

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (992,706)
2025	(1,010,298)
2026	(1,053,633)
2027	(302,807)
2028	(333,519)
Thereafter	(3,754)
Total	\$ (3,696,717)

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - CONT'D

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, 2022 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: <https://www.calstrs.com/general-information/gasb-6768>.

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.

Members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2022, 4,726 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$394,802 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 District actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1199 percent, and 0.1228 percent, resulting in a net decrease in the proportionate share of 0.0029 percent.

For the year ended June 30, 2023, the District recognized OPEB expense (income) of \$(95,292).

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - CONT'D

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total OPEB liability as of June 30, 2022, include:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Medicare Part A Premium Cost Trend Rate*	4.50%
Medicare Part B Premium Cost Trend Rate*	5.40%

* - The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year; however, the increases are approximately equivalent to a 4.5% and 5.4% increase each year for Medicare Part A and Part B, respectively.

Future Enrollment

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population of 145,282.

Mortality

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

Discount Rate

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, 2022, 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 California State Treasurer. As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2022 was 3.54%, which is an increase of 1.38% from 2.16% as of June 30, 2021.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - CONT'D

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:

<u>Discount Rates</u>	<u>Net OPEB Liability</u>
1% decrease (2.54%)	\$ 430,410
Current healthcare cost trend rate (3.54%)	\$ 394,802
1% increase (4.54%)	\$ 363,970

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

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

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 362,245
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	\$ 394,802
1% increase (5.50% Part A and 6.40% Part B)	\$ 431,706

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 - FUND BALANCES

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 25,000
Stores inventory	-	-	40,367	40,367
Prepaid expenditures	419,223	-	161,904	581,127
Total nonspendable	<u>444,223</u>	<u>-</u>	<u>202,271</u>	<u>646,494</u>
Restricted				
Legally restricted programs	47,087,882	-	-	47,087,882
Student activity	-	-	281,519	281,519
Adult education	-	-	343,622	343,622
Child development	-	-	63,743	63,743
Food service	-	-	4,693,379	4,693,379
Deferred Maintenance Fund	32,977	-	-	32,977
Capital projects	-	3,953,801	8,774,368	12,728,169
Total restricted	<u>47,120,859</u>	<u>3,953,801</u>	<u>14,156,631</u>	<u>65,231,291</u>
Committed				
Supplemental and concentration carry over	9,779,184	-	-	9,779,184
Total committed	<u>9,779,184</u>	<u>-</u>	<u>-</u>	<u>9,779,184</u>
Assigned				
Transitional kindergarten	13,103	-	-	13,103
Supplemental and concentration unspent	5,956,894	-	-	5,956,894
Deferred maintenance	119,011	-	-	119,011
Adult education	-	-	456,561	456,561
Capital Projects	-	29,096,790	7,764,627	36,861,417
Debt services	-	-	8,575,609	8,575,609
Other	3,629,826	-	-	3,629,826
Total assigned	<u>9,718,834</u>	<u>29,096,790</u>	<u>16,796,797</u>	<u>55,612,421</u>
Unassigned				
Reserve for economic uncertainties	4,182,085	-	-	4,182,085
Unassigned	-	-	(70,040)	(70,040)
Total unassigned	<u>4,182,085</u>	<u>-</u>	<u>(70,040)</u>	<u>4,112,045</u>
Total	<u>\$ 71,245,185</u>	<u>\$ 33,050,591</u>	<u>\$ 31,085,659</u>	<u>\$ 135,381,435</u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. The District participates in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers agency (JPA) for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2023, the District participated in ASCIP for workers' compensation coverage. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating District is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Participation in ASCIP is limited to districts that can meet the ASCIP's selection criteria. The District also has a portion of self-insured claims for workers' compensation for claims prior to joining ASCIP in 2019.

Employee Medical Benefits

Employee health benefits are covered by commercial insurance policies purchased by the District. The District has contracted with the Aetna Health Care Kaiser Permanent SafeGuard and Delta Dental and SafeGuard and VSP to provide employee health benefits. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

Claims Liabilities

The District records an estimated liability for dental insurance and workers' compensation claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2021 to June 30, 2023:

	<u>Dental Care</u>	<u>Workers' Compensation</u>	<u>Total</u>
Liability Balance, June 30, 2021	\$ 141,380	\$ 4,570,967	\$ 4,712,347
Claims and changes in estimates	75,158	(391,122)	(315,964)
Claims payments	(97,617)	(548,172)	(645,789)
Liability Balance, June 30, 2022	<u>118,921</u>	<u>3,631,673</u>	<u>3,750,594</u>
Claims and changes in estimates	(167,952)	(1,169,590)	(1,337,542)
Claims payments	49,031	170,359	219,390
Liability Balance, June 30, 2023	<u>-</u>	<u>2,632,442</u>	<u>2,632,442</u>
Assets available to pay claims at June 30, 2023	<u>\$ 68,702</u>	<u>\$ 12,528,866</u>	<u>\$ 12,597,568</u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - 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, 2023, 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:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of Resources</u>	<u>Pension expense (income)</u>
CalSTRS	\$ 55,490,226	\$ 17,586,175	\$ 12,436,821	\$(10,935,316)
CalPERS	33,403,264	10,904,673	4,132,504	(843,638)
Total	<u>\$ 88,893,490</u>	<u>\$ 28,490,848</u>	<u>\$ 16,569,325</u>	<u>\$(11,778,954)</u>

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, 2021, 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/general-information/gasb-6768>.

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 01, 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.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

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, 2023, are summarized as follows:

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
	On or before	On or after
Hire date	December 31, 2012.	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life.
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payrolls 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, 2023 are presented above and the District's total contributions were \$14,174,314.

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

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

Total net pension liability including State share	
District's proportionate share of net pension liability	\$ 55,490,226
State's proportionate share of the net pension liability associated with the District	<u>27,789,668</u>
Total	<u><u>\$ 83,279,894</u></u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, was a follow:

<u>Measurement Dates</u>	<u>Fiscal Year</u>	<u>CalSTRS</u>
June 30, 2021	2021-22	0.000817
June 30, 2022	2022-23	0.000799
Change - Increase (Decrease)		<u>(0.000018)</u>

For the year ended June 30, 2023, the District recognized pension expense (income) of \$(10,935,316). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 14,174,314	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	614,431	5,562,633
Differences between projected and actual earnings on pension plan investments	-	2,713,580
Differences between expected and actual experience in the measurement of the total pension liability	45,519	4,160,608
Changes of assumptions	<u>2,751,911</u>	<u>-</u>
Total	<u>\$ 17,586,175</u>	<u>\$ 12,436,821</u>

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

The remaining amount will be recognized to pension expenses as follows:

<u>Year Ended June 30,</u>	<u>Total Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (1,693,040)
2025	(4,187,809)
2026	(5,257,908)
2027	2,881,233
2028	(576,576)
Thereafter	<u>(190,860)</u>
Total	<u>\$ (9,024,960)</u>

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

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, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation, used the following methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return*	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Postretirement benefit increases	2% simple for DB (annually) Maintain 85% purchase power level for DB, not applicable for DBS/CBB

*Net of investment expenses but gross of administrative expenses.

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 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 as an input to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20 - year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return**</u>
Public equity	42.0%	4.80%
Real estate	15.0%	3.60%
Private equity	13.0%	6.30%
Fixed income	12.0%	1.30%
Risk mitigating strategies	10.0%	1.80%
Inflation sensitive	6.0%	3.30%
Cash/liquidity	2.0%	(0.40)%

** 20 - year average.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

Mortality

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-2019) table, issued by the Society of Actuaries.

Uses of assumption and methods

Actuarial valuations of an ongoing plan involve estimate of the value of reported amounts (salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 94,242,985
Current discount rate (7.10%)	\$ 55,490,226
1% increase (8.10%)	\$ 23,313,785

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions assumptions (for funding but not accounting purposes) and membership information is listed in the June 30, 2022, annual actuarial valuation report Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

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, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above and the total District contributions were \$4,325,736.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,403,264. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school district, actuarially determined.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, was as follows:

<u>Measurement Dates</u>	<u>Fiscal Year</u>	<u>CalPERS</u>
June 30, 2021	2021-22	0.001049
June 30, 2022	2022-23	0.000971
Change - Increase (Decrease)		<u>(0.000078)</u>

For the year ended June 30, 2023, the District recognized pension expense (income) of \$(843,638). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,325,736	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,973	3,301,388
Differences between projected and actual earnings on pension plan investments	3,944,017	-
Differences between expected and actual experience in the measurement of the total pension liability	150,963	831,116
Changes of assumptions	<u>2,470,984</u>	<u>-</u>
Total	<u>\$ 10,904,673</u>	<u>\$ 4,132,504</u>

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

The remaining amount will be recognized to pension as follows:

<u>Year Ended June 30,</u>	<u>Total Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 536,540
2025	332,634
2026	(5,560)
2027	<u>1,582,819</u>
Total	<u>\$ 2,446,433</u>

Actuarial Methods and Assumptions

Total pension liability for the June 30, 2022, measurement period was determined by an actuarial valuation as of June 30, 2021, with updated procedures used to roll forward the total pension liability to June 30, 2022.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

The total pension liability was based on the following assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	6.90%
Consumer price inflation	2.30%
Salary increase	Varies by entry age and service
Mortality rate table*	Derived using CalPERS' membership data for all funds 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter
Post-retirement benefit increase	

* - The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return:

Asset Class *	Assumed Asset Allocation	Real Return Years 1 - 10**
Global equity - cap - weighted	30.00 %	4.45 %
Global equity non-cap-weighted	12.00 %	3.84 %
Private equity	13.00 %	7.28 %
Treasury	5.00 %	0.27 %
Mortgage - backed securities	5.00 %	50.00 %
Investment grade corporates	10.00 %	1.56 %
High yield	5.00 %	2.27 %
Emerging market debt	5.00 %	2.48 %
Private debt	5.00 %	3.57 %
Real assets	15.00 %	3.21 %
Leverage	(5.00)%	(0.59)

*- An expected inflation of 2.30% used for this period.

** - Figures are based on the 2021-22 Assets Liability Management study.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS - CONT'D

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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.

Sensitivity of the Collective Net Pension Liability to Change in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using a discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (5.90%) or 1% higher (7.90%) than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 48,252,707
Current discount rate (6.90%)	\$ 33,403,264
1% increase (7.90%)	\$ 21,130,746

Social Security

As established by federal law, all public sector employees who are members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan.

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS annual comprehensive financial reports.

NOTE 13 - 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, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

**AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District participates in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers authority (JPAs) for property and liability and workers' compensation coverage. The District also participates in the Schools Excess Liability Fund JPA (SELF) for excess liability coverage above the ASCIP limit of \$5 million.

The California School Facilities Financing Authority (CSFFA) joint powers authority was formed for the public purpose of assisting in financing public capital improvements for the District.

The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes. All debt issued by CSFFA on behalf of the District is included in the District's financial statements.

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, 2023, the District made payments of \$2,479,962 and \$0 to ASCIP and SELF respectively.

NOTE 15 - RESTATEMENT

During the year ended June 30, 2023, the District determined that changes to the beginning fund balance - governmental funds - Bond Interest and Redemption Fund and General Fund and change in net position in government - wide financial were necessary for \$158,515. As a result, prior year financial statements have been restated by \$158,515 to show the effects of the change.

<u>Year Ended June 30,</u>	<u>Governmental- Wide Funds</u>	<u>General Funds</u>	<u>Bond Interest and Redemption Fund</u>
Beginning net position previously reported at June 30 2022	\$(104,433,705)	\$ 33,065,493	\$ 7,384,726
Overstated amount	-	(160,354)	-
Understated amount	158,515	-	318,869
Net position - Beginning as Restated at July 1 2022	<u><u>\$(104,275,190)</u></u>	<u><u>\$ 32,905,139</u></u>	<u><u>\$ 7,703,595</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
LCFF sources	\$ 93,198,438	\$ 100,576,182	\$ 102,972,896	\$ 2,396,714
Federal revenue	43,884,116	22,407,704	17,905,922	(4,501,782)
Other state revenue	14,806,439	23,270,717	50,708,026	27,437,309
Other local revenue	<u>7,798,470</u>	<u>8,121,454</u>	<u>6,681,761</u>	<u>(1,439,693)</u>
Total revenues*	<u>159,687,463</u>	<u>154,376,057</u>	<u>178,268,605</u>	<u>23,892,548</u>
Expenditures				
Current				
Certificated salaries	46,866,553	50,768,809	51,255,237	(486,428)
Classified salaries	16,899,143	17,737,657	17,488,533	249,124
Employee benefits	26,683,598	29,207,329	28,834,894	372,435
Books & supplies	39,563,666	23,432,649	11,521,411	11,911,238
Services and other operating expenditures	33,581,395	31,720,774	24,777,269	6,943,505
Other outgo excluding transfers of indirect costs	3,387,967	3,582,293	1,359,253	2,223,040
Other outgo - Transfers of indirect costs	(274,292)	(341,723)	(230,207)	(111,516)
Capital outlay	<u>420,000</u>	<u>1,203,761</u>	<u>4,922,169</u>	<u>(3,718,408)</u>
Total expenditures*	<u>167,128,030</u>	<u>157,311,549</u>	<u>139,928,559</u>	<u>17,382,990</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(7,440,567)</u>	<u>(2,935,492)</u>	<u>38,340,046</u>	<u>41,275,538</u>
Other Financing Sources/(Uses)				
Transfers out	<u>(580,000)</u>	<u>(580,000)</u>	<u>-</u>	<u>580,000</u>
Total other financing sources/(uses)	<u>(580,000)</u>	<u>(580,000)</u>	<u>-</u>	<u>580,000</u>
Net change in fund balance	(8,020,567)	(3,515,492)	38,340,046	41,855,538
Fund balance - beginning of year	28,876,092	28,876,094	33,065,493	4,189,399
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>(160,354)</u>	<u>(160,354)</u>
Fund balance - end of year	<u>\$ 20,855,525</u>	<u>\$ 25,360,602</u>	<u>\$ 71,245,185</u>	<u>\$ 46,044,937</u>

*- Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund 17, Special Reserve Fund for other than Capital Outlay for reporting purpose into the General Fund, additional revenues and expenditure pertaining to these funds are included in the actual revenue and expenditure, however are not included in the original and final budgeted amounts.

AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability						
Service Cost	\$ 643,518	\$ 932,093	\$ 896,883	\$ 864,884	\$ 863,624	\$ 871,811
Interest on total OPEB liability	695,932	424,843	489,453	642,419	659,235	664,637
Changes of benefit terms	-	-	-	-	290,693	229,272
Changes of assumptions	(37,870)	(1,593,118)	510,053	(2,575,751)	-	-
Difference between expected and actual experience	-	(957,142)	-	(2,750,213)	-	-
Benefits payments	<u>(1,020,751)</u>	<u>(965,975)</u>	<u>(722,264)</u>	<u>(953,123)</u>	<u>(869,112)</u>	<u>(870,505)</u>
Net change in total OPEB liability	280,829	(2,159,299)	1,174,125	(4,771,784)	944,440	895,215
Total OPEB liability - beginning	<u>16,877,205</u>	<u>19,036,504</u>	<u>17,862,379</u>	<u>22,634,163</u>	<u>21,689,723</u>	<u>20,794,508</u>
Total OPEB liability - ending	<u>\$ 17,158,034</u>	<u>\$ 16,877,205</u>	<u>\$ 19,036,504</u>	<u>\$ 17,862,379</u>	<u>\$ 22,634,163</u>	<u>\$ 21,689,723</u>
Covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
District's total OPEB liability as a percentage of covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

*- The District's OPEB Plan is not administered through a trust, and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net OPEB liability	0.1199 %	0.1228 %	0.1554 %	0.1631 %	0.1638 %	0.1716 %
District's proportionate share of the net OPEB liability	\$ 394,802	\$ 490,094	\$ 658,615	\$ 607,342	\$ 626,892	\$ 722,123
District's covered-employee payroll	N/A ¹	N/A ¹	N/A ¹	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	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	0.80 %	0.71 %	(0.81)%	(0.40)%	0.01 %
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

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

<u>CalSTRS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
District's proportion of the net pension liability	0.0008%	0.0817%	0.0892%	0.0922%	0.0912%
District's proportionate share of the net pension liability	\$ 55,490,226	\$ 37,199,461	\$ 86,434,765	\$ 83,264,728	\$ 83,862,092
State's proportionate share of the net pension liability associated with the District	<u>27,789,668</u>	<u>18,717,716</u>	<u>44,557,132</u>	<u>45,426,468</u>	<u>48,014,970</u>
Total	<u>\$ 83,279,894</u>	<u>\$ 55,917,177</u>	<u>\$ 130,991,897</u>	<u>\$ 128,691,196</u>	<u>\$ 131,877,062</u>
District's covered payroll	\$ 46,772,314	\$ 45,985,952	\$ 49,065,187	\$ 50,518,311	\$ 49,886,757
District's proportionate share of the net pension liability as a percentage of its covered payroll	118.64%	80.89%	176.16%	164.82%	168.10%
Plan fiduciary net position as a percentage of the total pension liability	81.00%	87.00%	72.00%	73.00%	71.00%

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

AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

<u>CalSTRS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0948%	0.0963%	0.0972%	0.0950%
District's proportionate share of the net pension liability	\$ 87,679,321	\$ 77,905,059	\$ 65,435,675	\$ 55,515,150
State's proportionate share of the net pension liability associated with the District	<u>51,870,346</u>	<u>44,349,960</u>	<u>34,608,259</u>	<u>33,522,444</u>
Total	<u>\$ 139,549,667</u>	<u>\$ 122,255,019</u>	<u>\$ 100,043,934</u>	<u>\$ 89,037,594</u>
District's covered payroll	\$ 48,783,800	\$ 47,216,533	\$ 40,030,755	\$ 43,087,648
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.73%	165.00%	163.46%	128.84%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.00%	74.00%	77.00%

See accompanying notes to required supplementary information.

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

<u>CalPERS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
District's proportion of the net pension liability	0.0010%	0.1049%	0.1084%	0.1121%	0.1145%
District's proportionate share of the net pension liability	\$ 33,403,264	\$ 21,328,596	\$ 33,274,342	\$ 32,683,155	\$ 30,529,054
District's covered payroll	\$ 16,877,610	\$ 15,903,820	\$ 15,899,650	\$ 18,451,622	\$ 15,142,991
District's proportionate share of the net pension liability as a percentage of its covered payroll	197.91%	134.11%	209.28%	177.13%	201.61%
Plan fiduciary net position as a percentage of the total pension liability	69.76%	80.97%	70.00%	70.00%	71.0%

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

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

<u>CalPERS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.1151%	0.1167%	0.1163%	0.1152%
District's proportionate share of the net pension liability	\$ 27,489,271	\$ 23,039,876	\$ 17,147,484	\$ 13,078,005
District's covered payroll	\$ 14,354,356	\$ 13,856,698	\$ 11,917,553	\$ 12,259,185
District's proportionate share of the net pension liability as a percentage of its covered payroll	191.50%	166.27%	143.88%	106.68%
Plan fiduciary net position as a percentage of the total pension liability	72.0%	74.0%	79.0%	83.0%

See accompanying notes to required supplementary information.

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>CalSTRS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 14,174,314	\$ 13,280,358	\$ 7,262,460	\$ 8,390,147	\$ 8,224,381
Contributions in relation to the contractually required contribution	<u>(14,174,314)</u>	<u>(13,280,358)</u>	<u>(7,262,460)</u>	<u>(8,390,147)</u>	<u>(8,224,381)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 46,772,314	\$ 45,985,952	\$ 44,968,793	\$ 49,065,187	\$ 50,518,311
Contributions as a percentage of covered payroll	30.30%	28.88%	16.15%	17.10%	16.28%

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

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>CalSTRS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 7,198,659	\$ 6,137,002	\$ 5,066,334	\$ 3,554,731
Contributions in relation to the contractually required contribution	<u>(7,198,659)</u>	<u>(6,137,002)</u>	<u>(5,066,334)</u>	<u>(3,554,731)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 49,886,757	 \$ 48,783,800	 \$ 47,216,533	 \$ 40,030,755
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%

See accompanying notes to required supplementary information.

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>CalPERS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 4,325,736	\$ 3,420,818	\$ 3,118,659	\$ 3,135,570	\$ 3,332,732
Contributions in relation to the contractually required contribution	<u>(4,325,736)</u>	<u>(3,420,818)</u>	<u>(3,118,659)</u>	<u>(3,135,570)</u>	<u>(3,332,732)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 16,877,610	 \$ 15,903,820	 \$ 15,065,546	 \$ 15,899,650	 \$ 18,451,622
Contributions as a percentage of covered payroll	25.63%	21.51%	20.70%	19.72%	18.06%

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

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>CalPERS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,351,858	\$ 1,993,820	\$ 1,641,303	\$ 1,402,696
Contributions in relation to the contractually required contribution	<u>(2,351,858)</u>	<u>(1,993,820)</u>	<u>(1,641,303)</u>	<u>(1,402,696)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 15,142,991	 \$ 14,354,356	 \$ 13,856,698	 \$ 11,917,553
Contributions as a percentage of covered payroll	15.53%	13.89%	11.84%	11.77%

See accompanying notes to required supplementary information.

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

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations.
- *Changes of Assumptions* - The discount rate as of the end of the fiscal year changed from 4.09% to 4.13% based on the change in 20-year municipal bond yields. The healthcare cost trend was updated to a graded scale beginning with 6.75% in the 2023/2024 fiscal year grading down to an ultimate rate of 4.14%. Morbidity rates were updated based on the June 2013 Society of Actuaries Study entitled "Health Care Costs - From Birth to Death". Mortality, termination, and retirement assumptions for non-certificated participants were updated to reflect the CalPERS 2021 experience study.

Schedule of Changes in the Net OPEB Liability and Related Ratios - Medicare Premium Payment Plan

The schedule is intended to show trends about the changes in the District's actuarially determined liability for the Medicare Premium Payment plan.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.16 percent to 3.54 percent since the previous valuation.

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

NOTE 1 - PURPOSE OF SCHEDULES - CONT'D

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for 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 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

	CalPERS	CalSTRS
Valuation date	June 30, 2021	June 30, 2021
Measurement date	June 30, 2022	June 30, 2022
Actuarial cost method	Entry- Age Normal Cost	Entry- Age Normal Cost
Actuarial Assumptions:		
Discount rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll growth rate	2.80%	3.50%
Projected salary increases	Varies by entry age and service	Varies by entry age and service
Investment rate of return ¹	6.90%	7.10%
Mortality rate table	Derived using CalPERS' membership data for all funds	Derived using CalSTRS' membership data for all funds

¹ Net of pension plan investment expenses, including inflation.

SUPPLEMENTARY INFORMATION

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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Education:			
Passed through California Department of Education (CDE)			
Education Stabilization Fund (ESF) Cluster:			
Elementary and Secondary School Emergency Relief (ESSER) Fund I	84.425	15536	\$ 1,633,448
Elementary and Secondary School Emergency Relief (ESSER) Fund I	84.425	15547	3,960,417
Elementary and Secondary School Emergency Relief (ESSER) Fund I	84.425	15559	2,056,852
Elementary and Secondary School Emergency Relief III, Instructional Time	84.425U	10155	1,262,675
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	<u>63,071</u>
Subtotal Education Stabilization Fund (ESF) Cluster			<u>8,976,463</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,873,637
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	443,076
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	107,506
ARP IDEA Part B, Sec 611, Local Assistance Coordinated Early Intervening Services	84.027	10170	58,447
ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	331,202
6B IDEA Restoration	84.027A	15197	83,032
IDEA Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	14,098
ARP IDEA Part B, Sec. 619, Preschool Grants Coordinated Early Intervening Services	84.173	10171	4,938
ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	27,982
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>935</u>
Subtotal Special Education Cluster			<u>\$ 2,944,853</u>

See accompanying notes to supplementary information.

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

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Other Program:			
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,799,735
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	322,145
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	515,167
ESEA (ESSA): Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	1,105,642
ESEA (ESSA): Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	290,203
ESEA (ESSA) : Title III, English Learner Student Program	84.365	14346	161,121
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Sec. 131	84.048	14894	<u>104,232</u>
Total Other Program			<u>5,298,245</u>
Adult Education- Basic Grants to States:			
Adult Basic Education & ELA (Section 231)	84.002A	14508	69,700
Adult Secondary Education (Section 231)	84.002	13978	51,055
English Literacy & Civics Education - Local Grant	84.002A	14109	<u>102,565</u>
Subtotal Adult Education- Basic Grants to States			<u>223,320</u>
Total U.S. Department of Education			<u>\$ 17,442,881</u>

See accompanying notes to supplementary information.

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

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Health and Human Services (HHS) :			
Passed through California Department of Education (CDE)			
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	15555	\$ 478
ARP California State Preschool Program One-time Stipend	93.575	15640	<u>22,325</u>
Total U.S. Department of Health and Human Services			<u>22,803</u>
U.S. Department of Agriculture:			
Passed through California Department of Agriculture (CDA)			
Child Nutrition Cluster			
School Programs (School Breakfast Basic)	10.553	13390	4,931,667
Supply Chain Assistance (SCA) Funds	10.555	15655	177,664
Fresh Fruit and Vegetable Program	10.582	14968	<u>33,266</u>
Subtotal Child Nutrition Cluster			<u>5,142,597</u>
CACFP Claims - Centers and Family Day Care	10.558	13393	869,636
Total U.S. Department of Agriculture			<u>6,012,233</u>
Total Federal Expenditures			<u>\$ 23,477,917</u>

See accompanying notes to supplementary information.

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2023**

	Final Report	
	Second Period Report	Annual Report
Grades Transitional Kindergarten through Third:		
Regular ADA	1,895.36	1,917.16
Extended Year Special Education	-	4.35
Special Education - Nonpublic, Nonsectarian Schools	1.74	1.80
Total Grades Transitional Kindergarten Through Third ADA	1,897.10	1,923.31
Grades Four Through Six:		
Regular ADA	1,415.76	1,420.77
Extended Year Special Education		2.54
Special Education - Nonpublic, Nonsectarian Schools	3.73	3.99
Total Grades Four Through Six ADA	1,419.49	1,427.30
Grades Seven and Eight:		
Regular ADA	893.71	921.84
Extended Year Special Education	-	1.38
Special Education - Nonpublic, Nonsectarian Schools	3.23	1.94
Total Grades Seven and Eight ADA	896.94	925.16
Grades Nine Through Twelve		
Regular ADA	1,816.56	1,773.83
Extended Year Special Education		2.90
Special Education - Nonpublic, Nonsectarian Schools	11.99	13.11
Total Grades Nine Through Twelve ADA	1,828.55	1,789.84
Total ADA	6,042.08	6,065.61

See accompanying notes to supplementary information.

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

Grade Level	1986-87 Minutes Requirement	2022-23 Actual Minutes	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
			Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	42,195	180	-	-	180	In Compliance
Grade 1	50,400	50,873	180	-	-	180	In Compliance
Grade 2	50,400	50,873	180	-	-	180	In Compliance
Grade 3	50,400	50,873	180	-	-	180	In Compliance
Grade 4	54,000	54,410	180	-	-	180	In Compliance
Grade 5	54,000	54,410	180	-	-	180	In Compliance
Grade 6	54,000	54,410	180	-	-	180	In Compliance
Grade 7	54,000	54,323	180	-	-	180	In Compliance
Grade 8	54,000	54,480	180	-	-	180	In Compliance
Grade 9	64,800	65,223	180	-	-	180	In Compliance
Grade 10	64,800	65,223	180	-	-	180	In Compliance
Grade 11	64,800	65,223	180	-	-	180	In Compliance
Grade 12	64,800	65,223	180	-	-	180	In Compliance

The District did not file J-13A during the year 2022-2023.

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

	<u>2024 (Budget)*</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
General fund - budgetary basis***				
Revenues	\$ 166,405,354	\$ 178,150,433	\$ 129,366,954	\$ 121,622,141
Total revenues and other sources	<u>166,405,354</u>	<u>178,150,433</u>	<u>129,366,954</u>	<u>121,622,141</u>
Expenditures	167,327,283	139,402,801	120,774,239	114,187,781
Other uses and transfer out	<u>1,000,000</u>	<u>-</u>	<u>642,339</u>	<u>1,000,000</u>
Total expenditures and other uses	<u>168,327,283</u>	<u>139,402,801</u>	<u>121,416,578</u>	<u>115,187,781</u>
Net change in fund balance	<u>(1,921,929)</u>	<u>38,747,632</u>	<u>7,950,376</u>	<u>6,434,360</u>
Ending fund balance	<u>\$ 69,730,842</u>	<u>\$ 71,652,771</u>	<u>\$ 28,390,076</u>	<u>\$ 20,439,700</u>
Available reserves**	<u>\$ 5,049,825</u>	<u>\$ 4,182,085</u>	<u>\$ 3,642,498</u>	<u>\$ 3,455,635</u>
Available reserves as a percentage of outgo	3.01 %	3.01 %	3.00 %	3.00 %
Total long-term liabilities	<u>\$ 196,998,159</u>	<u>\$ 194,178,351</u>	<u>\$ 276,255,733</u>	<u>\$ 331,259,996</u>
Average daily attendance at P-2	<u>5,861</u>	<u>6,042</u>	<u>6,106</u>	<u>7,318</u>

The General Fund balance has increased by \$51,213,071 over the past two years. The fiscal year 2023-24 budget projects a decrease of \$1,921,929 or 2.68%. For the District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses in the past two years out of three but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have decreased by \$137,081,645 over the past two years.

Average daily attendance has decreased by 1,276 over the past two years. A decrease of 181 ADA is anticipated during fiscal year 2023-2024.

Note

* Budget 2024 is included for analytical purpose only and has not been subjected to audit.

** Available reserves consist of all unassigned fund balance including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other than Capital Outlay Projects.

*** General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

**AZUSA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2023.

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2023**

No charter schools are chartered by Azusa Unified School District.

<u>Charter Schools</u>	<u>Included in Audit?</u>
None	N/A

See accompanying notes to supplementary information.

AZUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>Student Activity Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>State School Building Lease Purchase Fund</u>
ASSETS						
Cash and investments	\$ 301,619	\$ 557,102	\$ 652,514	\$ 4,085,697	\$ 1,615,966	\$ 176
Accounts receivable	-	382,771	38,388	764,718	35,596	2
Due from grantor govt	-	55,831	1,461,519	-	-	-
Prepaid expenditures	-	-	-	-	161,904	-
Stores inventory	-	-	-	40,367	-	-
Total assets	<u>301,619</u>	<u>995,704</u>	<u>2,152,421</u>	<u>4,890,782</u>	<u>1,813,466</u>	<u>178</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	20,100	195,521	2,088,678	219,463	161,904	-
Unearned revenue	-	-	-	7,613	-	-
Total liabilities	<u>20,100</u>	<u>195,521</u>	<u>2,088,678</u>	<u>227,076</u>	<u>161,904</u>	<u>-</u>
FUND BALANCES:						
Nonspendable	-	-	-	40,367	161,904	-
Restricted	281,519	343,622	63,743	4,693,379	1,489,658	-
Assigned	-	456,561	-	-	-	178
Unassigned	-	-	-	(70,040)	-	-
Total fund balances	<u>281,519</u>	<u>800,183</u>	<u>63,743</u>	<u>4,663,706</u>	<u>1,651,562</u>	<u>178</u>
Total liabilities and fund balance	<u>\$ 301,619</u>	<u>\$ 995,704</u>	<u>\$ 2,152,421</u>	<u>\$ 4,890,782</u>	<u>\$ 1,813,466</u>	<u>\$ 178</u>

See accompanying notes to supplementary information.

AZUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 7,624,301	\$ 10,967,368	\$ 8,575,609	\$ -	\$ 34,380,352
Accounts receivable	95,718	117,204	-	-	1,434,397
Due from grantor govt	-	-	-	-	1,517,350
Prepaid expenditures	-	-	-	-	161,904
Stores inventory	-	-	-	-	40,367
Total assets	<u>7,720,019</u>	<u>11,084,572</u>	<u>8,575,609</u>	<u>-</u>	<u>37,534,370</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	3,084,765	670,667	-	-	6,441,098
Unearned revenue	-	-	-	-	7,613
Total liabilities	<u>3,084,765</u>	<u>670,667</u>	<u>-</u>	<u>-</u>	<u>6,448,711</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	202,271
Restricted	4,635,254	2,649,456	-	-	14,156,631
Assigned	-	7,764,449	8,575,609	-	16,796,797
Unassigned	-	-	-	-	(70,040)
Total fund balances	<u>4,635,254</u>	<u>10,413,905</u>	<u>8,575,609</u>	<u>-</u>	<u>31,085,659</u>
Total liabilities and fund balance	<u>\$ 7,720,019</u>	<u>\$ 11,084,572</u>	<u>\$ 8,575,609</u>	<u>\$ -</u>	<u>\$ 37,534,370</u>

See accompanying notes to supplementary information.

AZUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Student Activity Fund</u>	<u>Adult Education Fund</u>	<u>Child Development Fund</u>
REVENUES:			
Federal sources	\$ -	\$ 223,320	\$ -
Other state sources	-	1,648,562	3,405,348
Other local sources	<u>387,398</u>	<u>148,272</u>	<u>17,972</u>
Total revenues	<u>387,398</u>	<u>2,020,154</u>	<u>3,423,320</u>
EXPENDITURES:			
Current			
Instruction	-	1,249,542	3,049,079
Instruction related services			
Supervision of instruction	-	-	217,948
School site administration	-	456,616	119,392
Pupil services			
Food services	-	-	19,762
All other pupil services	-	144,456	-
Administration			
All other general administration	-	51,329	12,339
Plant services	556,735	77,529	28,937
Ancillary services	-	-	-
Facilities acquisition and construction	-	35,474	7,711
Enterprises activities	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>556,735</u>	<u>2,014,946</u>	<u>3,455,168</u>
Excess (deficiency) of revenues over expenditures	<u>(169,337)</u>	<u>5,208</u>	<u>(31,848)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from lease	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(169,337)</u>	<u>5,208</u>	<u>(31,848)</u>
Fund balance - beginning of year	450,856	794,975	95,591
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning of year, <i>restated</i>	<u>450,856</u>	<u>794,975</u>	<u>95,591</u>
Fund balance - end of year	<u>\$ 281,519</u>	<u>\$ 800,183</u>	<u>\$ 63,743</u>

See accompanying notes to supplementary information.

AZUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>State School Building Lease Purchase Fund</u>
REVENUES:			
Federal sources	\$ 5,260,346	\$ -	\$ -
Other state sources	1,908,247	-	-
Other local sources	<u>(24,306)</u>	<u>849,671</u>	<u>4</u>
Total revenues	<u>7,144,287</u>	<u>849,671</u>	<u>4</u>
EXPENDITURES:			
Current			
Instruction	-	-	-
Instruction related services			
Supervision of instruction	-	-	-
School site administration	-	-	-
Pupil services			
Food services	5,912,875	-	-
All other pupil services	-	-	-
Administration			
All other general administration	166,539	-	-
Plant services	740	-	-
Ancillary services	-	-	-
Facilities acquisition and construction	-	4,625,025	-
Enterprises activities	-	-	-
Debt service:			
Principal	-	5,069,731	-
Interest	-	159,513	-
Total expenditures	<u>6,080,154</u>	<u>9,854,269</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,064,133</u>	<u>(9,004,598)</u>	<u>4</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from lease	<u>-</u>	<u>4,625,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>4,625,000</u>	<u>-</u>
Net change in fund balance	<u>1,064,133</u>	<u>(4,379,598)</u>	<u>4</u>
Fund balance - beginning of year	3,599,573	6,031,160	174
<i>Restatement</i>	-	-	-
Fund balance - beginning of year, <i>restated</i>	<u>3,599,573</u>	<u>6,031,160</u>	<u>174</u>
Fund balance - end of year	<u>\$ 4,663,706</u>	<u>\$ 1,651,562</u>	<u>\$ 178</u>

See accompanying notes to supplementary information.

AZUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
REVENUES:			
Federal sources	\$ -	\$ -	\$ -
Other state sources	2,807,849	-	48,199
Other local sources	431,716	824,117	9,612,620
Total revenues	3,239,565	824,117	9,660,819
EXPENDITURES:			
Current			
Instruction	-	-	-
Instruction related services			
Supervision of instruction	-	-	-
School site administration	-	-	-
Pupil services			
Food services	-	-	-
All other pupil services	-	-	-
Administration			
All other general administration	-	-	-
Plant services	-	35,300	-
Ancillary services	-	-	-
Facilities acquisition and construction	10,332,788	946,423	-
Enterprises activities	-	-	-
Debt service:			
Principal	-	-	4,011,907
Interest	-	-	4,776,898
Total expenditures	10,332,788	981,723	8,788,805
Excess (deficiency) of revenues over expenditures	(7,093,223)	(157,606)	872,014
OTHER FINANCING SOURCES (USES):			
Proceeds from lease	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(7,093,223)	(157,606)	872,014
Fund balance - beginning of year	11,728,477	10,571,511	7,384,726
<i>Restatement</i>	-	-	318,869
Fund balance - beginning of year, <i>restated</i>	11,728,477	10,571,511	7,703,595
Fund balance - end of year	\$ 4,635,254	\$ 10,413,905	\$ 8,575,609

See accompanying notes to supplementary information.

AZUSA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Nonmajor Governmental Funds</u>
REVENUES:	
Federal sources	\$ 5,483,666
Other state sources	9,818,205
Other local sources	<u>12,247,464</u>
Total revenues	<u>27,549,335</u>
EXPENDITURES:	
Current	
Instruction	4,298,621
Instruction related services	
Supervision of instruction	217,948
School site administration	576,008
Pupil services	
Food services	5,932,637
All other pupil services	144,456
Administration	
All other general administration	230,207
Plant services	699,241
Ancillary services	-
Facilities acquisition and construction	15,947,421
Enterprises activities	-
Debt service:	
Principal	9,081,638
Interest	<u>4,936,411</u>
Total expenditures	<u>42,064,588</u>
Excess (deficiency) of revenues over expenditures	<u>(14,515,253)</u>
OTHER FINANCING SOURCES (USES):	
Proceeds from lease	<u>-</u> <u>4,625,000</u>
Total other financing sources (uses)	<u>4,625,000</u>
Net change in fund balance	<u>(9,890,253)</u>
Fund balance - beginning of year	40,657,043
<i>Restatement</i>	<u>318,869</u>
Fund balance - beginning of year, <i>restated</i>	<u>40,975,912</u>
Fund balance - end of year	<u><u>\$ 31,085,659</u></u>

See accompanying notes to supplementary information.

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

Azusa Unified School District was established in 1961 and consists of an area comprising approximately 150 square miles. The District operates eleven elementary schools, three middle schools, two high schools, and two alternative education schools. There were no boundary changes during the year.

The Board of Education and the District Administrators at June 30, 2023 were as follows:

GOVERNING BOARD

Member	Office	Term Expires
Sabrina Bow, Ed.D.	President	2024
Yolanda Rodriguez-Pena	Vice President	2024
Adrian Greer	Member	2026
Sandra Benavides	Member	2026
Gabriela Arellanes	Clerk	2026

DISTRICT ADMINISTRATORS

Arturo Ortega
Superintendent

Norma Carvajal-Camacho
Assistant Superintendent, Educational Services

Latasha D. Jamal
Assistant Superintendent, Business Services

Jorge Ronquillo
Assistant Superintendent, Human Resources

AZUSA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position, change in fund balance, or cash flows of the 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 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 percentage de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District had \$16,678 food commodities in inventory.

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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

NOTE 1 - PURPOSE OF SCHEDULES - CONT'D

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

The Nonmajor 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 Nonmajor Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITOR'S REPORT

**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 Education
Azusa Unified School District
Azusa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Azusa Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Azusa Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Azusa 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 Azusa Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Azusa 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Harshmal & Company LLP

San Diego, California
December 15, 2023

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

To the Board of Education
Azusa Unified School District
Azusa, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Azusa Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Azusa Unified School District's major federal programs for the year ended June 30, 2023. Azusa Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Azusa Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Harshmal & Company LLP

San Diego, California
December 15, 2023

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 2022-2023 *GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING*

To the Board of Education
Azusa Unified School District
Azusa, California

Report on State Compliance

Opinion

We have audited Azusa Unified School District's (the "District") compliance with compliance requirements specified in the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2022-23 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies other than Charter Schools	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	No, see below
E. Continuation Education	No, see below
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratios of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	No, see below
K. GANN Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Not Applicable
N. Middle or Early College High Schools	Not Applicable
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	No, see below

2022-23 K-12 Audit Guide Procedures		Procedures Performed
R.	Comprehensive School Safety Plan	Yes
S.	District of Choice	Not Applicable
TT.	Home to School Transportation Reimbursement	Yes
UU.	Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools		
T.	California Clean Energy Jobs Act	Yes
U.	After/Before School Education and Safety Program	
	General Requirements	Yes
	After School	Yes
	Before School	No, see below
V.	Proper Expenditure of Education Protection Account Funds	Yes
W.	Unduplicated Local Control Funding Formula Pupil Counts	Yes
X.	Local Control Accountability Plan	Yes
Y.	Independent Study-Course Based	No, see below
Z.	Immunizations	Not Applicable
AZ.	Educator Effectiveness	Yes
BZ.	Expended Learning Opportunities Grant (ELO-G)	Yes
CZ.	Career Technical Education Incentive Grant	Yes
EZ.	Transitional Kindergarten Grant	Yes

Charter Schools

AA.	Attendance	No, see below
BB.	Mode of Instruction	No, see below
CC.	Nonclassroom-Based Instruction/Independent Study	No, see below
DD.	Determination of Funding for Nonclassroom-Based Instruction	No, see below
EE.	Annual Instructional Minutes - Classroom Based	No, see below
FF.	Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study, Continuation Education, and Independent Study Course Based because ADA was below the threshold required for testing.

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 have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

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

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

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

The District does not offer a Immunizations Program; therefore, we did not perform any procedures related to the Immunization Program.

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Harshmal & Company LLP

San Diego, California
December 15, 2023

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	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:	

Assistance Listing
Number (ALN)

Name of Federal Program or Cluster

84.425	Education Stabilization Fund (ESF) Cluster
10.558	Child and Adult Care Food Program
10.553, 10.555, 10.582	ESEA (ESSA) : Title IV, Part B, 21st Century Community Learning Centers Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over state programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for state programs:	Unmodified

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
20000	Inventory of Equipment
30000	Internal Control

There were no findings related to the financial statements for the fiscal year ended June 30, 2023.

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2023.

**AZUSA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2023.

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

There were no findings reported in prior year.