



Financial Statements  
June 30, 2021

# Azusa Unified School District

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## Independent Auditor's Report

To the Governing Board  
Azusa Unified School District  
Azusa, California

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

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

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 14 to the financial statements, Azusa Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 65, schedule of changes in the District's total OPEB liability and related ratios on page 66, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 67, schedule of the District's proportionate share of the net pension liability on page 68, and the schedule of District contributions on page 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2022 on our consideration of Azusa Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Azusa Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Azusa Unified School District's internal control over financial reporting and compliance.

*Eide Sally LLP*

Rancho Cucamonga, California  
January 4, 2022



# Azusa

## Unified School District

### Board of Education

Gabriela Arellanes, PRESIDENT  
Adrian Greer, VICE PRESIDENT  
Sabrina Bow, Ed.D., CLERK  
Xilonin Cruz-Gonzalez, MEMBER  
Yolanda Rodriguez-Peña, MEMBER  
Arturo Ortega, SUPERINTENDENT

This section of Azusa Unified School District's (the District) annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables, and receivables.

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

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

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

The Primary unit of the government is the 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, respectively. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting method used by most private-sector entities. 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 current net position, as well as the net position reported in the prior 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.

Because the District's responsibility is to provide services to students and not to generate profit, 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*, the District reports all of its activities as:

**Governmental Activities** - This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. These activities are paid for by a mix of Federal, State, and Local funds as well as 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 the State of California or by bond covenants. However, additional funds may be established to assist in management and financial reporting, or to show that legal requirements have been met for certain taxes, grants, and other money that is received.

**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 remaining 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 between the governmental fund financial statements and the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary Funds** - When the District charges users for the services it provides, whether to external 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*. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$(129,647,880) for the fiscal year ended June 30, 2021. Of this amount, \$(135,913,022) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. The analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2021	2020 as Restated
<b>Assets</b>		
Current and other assets	\$ 115,699,095	\$ 96,361,301
Capital assets	93,092,667	91,882,389
Total assets	208,791,762	188,243,690
Deferred outflows of resources	27,115,510	30,078,205
<b>Liabilities</b>		
Current liabilities	21,158,248	20,210,591
Long-term liabilities	331,939,749	331,259,996
Total liabilities	353,097,997	351,470,587
Deferred inflows of resources	12,457,155	13,494,515
<b>Net Position (deficit)</b>		
Net investment (deficit) in capital assets	(28,659,031)	(27,739,305)
Restricted	34,924,173	17,352,994
Unrestricted (deficit)	(135,913,022)	(136,256,896)
Total net position (deficit)	\$ (129,647,880)	\$ (146,643,207)

The \$(135,913,022) in unrestricted (deficit) net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position (deficit) - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by 0.3 percent (\$(135,913,022) compared to \$(136,256,896)).

**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 14. Table 2 takes the information from the Statement of Activities, rounds the numbers, and arranges them slightly different to more clearly show the District's Revenues and Expenses.

**Table 2**

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 924,670	\$ 943,205
Operating grants and contributions	49,482,495	31,909,827
General revenues		
Federal and State aid not restricted	66,596,980	74,741,757
Property taxes	29,330,921	27,008,599
Other general revenues	13,963,516	5,631,931
Total revenues	160,298,582	140,235,319
Expenses		
Instruction-related	96,758,376	98,751,886
Pupil services	13,352,868	13,611,247
Administration	7,937,737	7,193,657
Plant services	12,957,092	12,310,369
All other services	12,297,182	13,056,687
Total expenses	143,303,255	144,923,846
Change in net position	\$ 16,995,327	\$ (4,688,527)

\*The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB Statement No. 84 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities* on page 14, the cost of all of governmental activities for 2020-2021 was \$143,303,255. However, the amount that taxpayers ultimately financed for these activities through property taxes was only \$29,330,921. The District paid for the remaining "public benefit" portion of governmental activities with \$113,972,334 in State and Federal funds, and with other revenues, like interest, charges for services received, and donations.

In Table 3, the total cost and net cost of each of the District's largest functions has been presented. This includes regular program instruction, instruction related sources, pupil services, administration, plant services, and other services. Net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows the citizens to consider the cost of each function in comparison to the benefits that are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 96,758,376	98,751,886	\$ (59,692,965)	\$ (75,684,309)
Pupil services	13,352,868	13,611,247	(3,971,195)	(6,034,288)
Administration	7,937,737	7,193,657	(7,107,503)	(6,401,393)
Plant services	12,957,092	12,310,369	(10,807,278)	(12,005,245)
All other services	12,297,182	13,056,687	(11,317,149)	(11,945,579)
<b>Total</b>	<b>\$ 143,303,255</b>	<b>\$ 144,923,846</b>	<b>\$ (92,896,090)</b>	<b>\$ (112,070,814)</b>

\*The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB Statement No. 84 for comparative purposes.

**THE DISTRICT'S FUNDS**

At the conclusion of the fiscal year, the District's governmental funds reported a combined fund balance of \$85,388,973, which is an increase of \$17,427,432 from the prior year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 20,787,660	\$ 121,622,266	\$ 115,266,511	\$ 27,143,415
Student Activity	434,051	68,315	105,052	397,314
Adult Education	1,012,946	1,725,745	1,808,223	930,468
Child Development	16,434	1,329,147	1,194,655	150,926
Cafeteria	66,552	7,364,638	4,688,690	2,742,500
Building	29,798,526	16,089	7,981,210	21,833,405
Capital Facilities	1,158,147	225,941	7,187	1,376,901
State School Building Lease-Purchase	179	-	-	179
County School Facilities	-	12,090,426	-	12,090,426
Special Reserve Fund for Capital Outlay Projects	4,361,063	5,757,550	-	10,118,613
Bond Interest and Redemption	10,313,963	8,851,326	10,572,481	8,592,808
Tax Override	12,020	(2)	-	12,018
<b>Total</b>	<b>\$ 67,961,541</b>	<b>\$ 159,051,441</b>	<b>\$ 141,624,009</b>	<b>\$ 85,388,973</b>

### Financial Highlights

- The District's General Fund Ending Fund Balance for the 2020-2021 fiscal year was greater than the projected Ending Fund Balance at the Estimated Actuals Financial Report. Total General Fund revenues were \$121.6 million, and expenditures were \$115.3 million.
- The District expended \$7.9 million on facility construction and modernization from \$29.8 million in the balance of bond issuances.
- Grades K-12 average daily attendance was based on 2019-20 "Hold Harmless" of 7,318 ADA.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it becomes aware of changes to information used during the development of its budget. A schedule showing the District's original and final budget amounts compared with amounts paid and received is provided in the annual report on page 66.

- Overall revenues increased by \$20.6 million from the Adopted Budget to Unaudited Actuals in 2020-2021 which includes \$10.7 million in various COVID-19 related grants, \$6.5 million in additional LCFF Funding due to a 5.61 percent increase in the Cost of Living Adjustment (COLA) deficit factor, offset by a \$1.6 million decrease in all other Restricted and Unrestricted revenues, including Special Education.
- Overall expenditures increased by \$7.1 million which can be attributed to an increase of \$7.7 million in COVID-19 related grants, offset by decreases to Unrestricted General Fund expenditures totaling \$2.3 million, a decrease in Special Education expenditures totaling \$1.7 million, and a \$1.4 million decrease to all other restricted expenditures. Although the District received funding on 82 fewer students enrolled in the Special Education program, it spent \$781 more per student than the prior year.
- Per guidance contained within Governmental Accounting Standards Board (GASB) Statement No. 68, the District also completed a required non-cash entry reflecting the State of California's contribution to the STRS pension liability on behalf of the District. This entry increased both revenues and expenditures by \$4.9 million, but it does not impact the District's ending fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

On June 30, 2021, the District had \$93,092,667 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$1,210,278, or 1.3 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 1,547,182	\$ 8,796,020
Buildings and improvements	90,193,331	82,202,532
Equipment	1,352,154	883,837
Total	\$ 93,092,667	\$ 91,882,389

Net capital assets increased by \$1.3 million as a result of an increase in construction projects during the year.

One capital project started in a prior year remains in progress with the completion date to be determined.

**Long-Term Liabilities**

At the end of this year, the District had \$331,939,749 in long-term liabilities versus \$331,259,996 last year, an increase of 0.2 percent. Those long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 175,775,915	\$ 177,390,326
Certificates of participation	4,920,000	4,920,000
Unamortized premiums/(discounts)	4,957,915	5,375,938
Supplemental early retirement plan	1,771,961	2,360,214
Compensated absences	538,765	739,854
Claims liability	4,570,967	6,056,060
Total OPEB liability	19,695,119	18,469,721
Aggregate net pension liability	119,709,107	115,947,883
Total	\$ 331,939,749	\$ 331,259,996

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's Adopted Budget for the 2021-2022 year, the governing board and management used the following assumptions:

- The District utilized the Local Control Funding Formula (LCFF) when developing the budget.
- LCFF funding is based on \$12,076 per ADA. This represents an increase of \$502 per ADA from the 2020-2021 year.
- The District's projected an unduplicated pupil count of 5,876 or 84.57 percent.
- Average Teacher Salary and Benefits for 2021-22 for 187 days of teaching is \$119,187
- The budget was built with the following FTE (full-time equivalent) allocations:
  - 419 (Certificated Staff)
  - 545 (Classified Staff)
  - 73 (Management/Supervisors/Confidential Staff)
- The fiscal year 2021-2022 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 our 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, at Azusa Unified School District, 546 South Citrus Avenue, Azusa, California 91702, or via e-mail at [ljamal@azusa.org](mailto:ljamal@azusa.org).

Azusa Unified School District  
Statement of Net Position  
June 30, 2021

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 97,371,790
Receivables	17,133,062
Prepaid expense	1,145,321
Stores inventories	48,922
Capital assets not depreciated	1,547,182
Capital assets, net of accumulated depreciation	91,545,485
Total assets	208,791,762
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	2,019,092
Deferred outflows of resources related to OPEB	715,949
Deferred outflows of resources related to pensions	24,380,469
Total deferred outflows of resources	27,115,510
<b>Liabilities</b>	
Accounts payable	13,712,705
Interest payable	1,938,970
Unearned revenue	5,365,193
Claims liability	141,380
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,720,054
Long-term liabilities other than OPEB and pensions due in more than one year	185,815,469
Net other postemployment benefits liability (OPEB)	19,695,119
Aggregate net pension liability	119,709,107
Total liabilities	353,097,997
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to OPEB	3,804,260
Deferred inflows of resources related to pensions	8,652,895
Total deferred inflows of resources	12,457,155
<b>Net Position</b>	
Net investment (deficit) in capital assets	(28,659,031)
Restricted for	
Debt service	6,665,856
Capital projects	13,467,506
Educational programs	4,501,522
Self-insurance	6,519,877
Other activities	3,769,412
Unrestricted (deficit)	(135,913,022)
Total net position (deficit)	\$ (129,647,880)



Azusa Unified School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 81,003,882	\$ 704,144	\$ 31,969,032	\$ (48,330,706)
Instruction-related activities				
Supervision of instruction	5,179,752	20,185	2,197,331	(2,962,236)
Instructional library, media, and technology	2,001,653	690	866,443	(1,134,520)
School site administration	8,573,089	-	1,307,586	(7,265,503)
Pupil services				
Home-to-school transportation	962,727	-	-	(962,727)
Food services	4,703,098	81	7,201,138	2,498,121
All other pupil services	7,687,043	106,590	2,073,864	(5,506,589)
Administration				
Data processing	1,321,979	-	64,086	(1,257,893)
All other administration	6,615,758	1,042	765,106	(5,849,610)
Plant services	12,957,092	51	2,149,763	(10,807,278)
Ancillary services	333,496	-	68,315	(265,181)
Interest on long-term liabilities	8,497,143	-	-	(8,497,143)
Other outgo	3,466,543	91,887	819,831	(2,554,825)
Total governmental activities	<u>\$ 143,303,255</u>	<u>\$ 924,670</u>	<u>\$ 49,482,495</u>	<u>(92,896,090)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				19,613,069
Property taxes, levied for debt service				8,835,216
Taxes levied for other specific purposes				882,636
Federal and State aid not restricted to specific purposes				66,596,980
Interest and investment earnings				(120,832)
Miscellaneous				<u>14,084,348</u>
Subtotal, general revenues and subventions				<u>109,891,417</u>
Change in Net Position				16,995,327
Net Position (deficit) - Beginning, as restated				<u>(146,643,207)</u>
Net Position (deficit) - Ending				<u>\$ (129,647,880)</u>

Azusa Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 27,744,354	\$ 22,396,535	\$ 12,065,424	\$ 24,109,041	\$ 86,315,354
Receivables	16,123,248	49,169	25,002	917,450	17,114,869
Prepaid expenditures	955,355	-	-	-	955,355
Stores inventories	-	-	-	48,922	48,922
<b>Total assets</b>	<b>\$ 44,822,957</b>	<b>\$ 22,445,704</b>	<b>\$ 12,090,426</b>	<b>\$ 25,075,413</b>	<b>\$ 104,434,500</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 12,341,677	\$ 612,299	\$ -	\$ 726,358	\$ 13,680,334
Unearned revenue	5,337,865	-	-	27,328	5,365,193
<b>Total liabilities</b>	<b>17,679,542</b>	<b>612,299</b>	<b>-</b>	<b>753,686</b>	<b>19,045,527</b>
<b>Fund Balances</b>					
Nonspendable	980,355	-	-	48,922	1,029,277
Restricted	4,501,522	21,833,405	12,090,426	13,751,318	52,176,671
Assigned	18,205,903	-	-	10,521,487	28,727,390
Unassigned	3,455,635	-	-	-	3,455,635
<b>Total fund balances</b>	<b>27,143,415</b>	<b>21,833,405</b>	<b>12,090,426</b>	<b>24,321,727</b>	<b>85,388,973</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,822,957</b>	<b>\$ 22,445,704</b>	<b>\$ 12,090,426</b>	<b>\$ 25,075,413</b>	<b>\$ 104,434,500</b>

Total Fund Balance - Governmental Funds		\$ 85,388,973
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 217,020,878	
Accumulated depreciation is	<u>(123,928,211)</u>	
Net capital assets		93,092,667
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(1,938,970)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		6,519,877
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)	2,019,092	
Net other postemployment benefits (OPEB) liability	715,949	
Aggregate net pension liability	<u>24,380,469</u>	
Total deferred outflows of resources		27,115,510
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	(3,804,260)	
Aggregate net pension liability	<u>(8,652,895)</u>	
Total deferred inflows of resources		(12,457,155)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(119,709,107)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(19,695,119)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	(135,726,280)
Premium on bond issuance	(5,032,820)
Certificates of participation	(4,920,000)
Discount on certificates of participation	74,905
Compensated absences (vacations)	(538,765)
Supplemental early retirement plan	(1,771,961)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(40,049,635)

Total long-term liabilities

(187,964,556)

Total net position - governmental activities

\$ (129,647,880)

Azusa Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula	\$ 84,652,498	\$ -	\$ -	\$ -	\$ 84,652,498
Federal sources	15,512,432	-	-	7,601,739	23,114,171
Other State sources	13,712,643	-	12,123,058	2,731,554	28,567,255
Other local sources	7,744,693	16,089	(32,632)	14,989,367	22,717,517
Total revenues	<u>121,622,266</u>	<u>16,089</u>	<u>12,090,426</u>	<u>25,322,660</u>	<u>159,051,441</u>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	71,708,437	-	-	1,578,983	73,287,420
Instruction-related activities					
Supervision of instruction	4,384,316	-	-	256,919	4,641,235
Instructional library, media, and technology	1,455,748	-	-	-	1,455,748
School site administration	6,888,301	-	-	828,209	7,716,510
Pupil services					
Home-to-school transportation	772,177	-	-	-	772,177
Food services	23,220	-	-	4,556,215	4,579,435
All other pupil services	6,611,620	-	-	134,703	6,746,323
Administration					
Data processing	1,211,044	-	-	-	1,211,044
All other administration	5,734,908	-	-	257,890	5,992,798
Plant services	12,556,379	293,062	-	56,615	12,906,056
Ancillary services	234,590	-	-	105,052	339,642
Other outgo	3,466,543	-	-	-	3,466,543
Facility acquisition and construction	219,228	7,505,773	-	29,221	7,754,222
Debt service					
Principal	-	-	-	6,075,000	6,075,000
Interest and other	-	182,375	-	4,497,481	4,679,856
Total expenditures	<u>115,266,511</u>	<u>7,981,210</u>	<u>-</u>	<u>18,376,288</u>	<u>141,624,009</u>
Net Change in Fund Balances	6,355,755	(7,965,121)	12,090,426	6,946,372	17,427,432
Fund Balance - Beginning, as restated	20,787,660	29,798,526	-	17,375,355	67,961,541
Fund Balance - Ending	<u>\$ 27,143,415</u>	<u>\$ 21,833,405</u>	<u>\$ 12,090,426</u>	<u>\$ 24,321,727</u>	<u>\$ 85,388,973</u>

Azusa Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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Total Net Change in Fund Balances - Governmental Funds \$ 17,427,432

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 8,517,652	
Depreciation expense	<u>(7,307,374)</u>	
Net expense adjustment		1,210,278

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement incentives used were more than incentives earned by \$588,253. Vacation used was more than amounts earned by \$201,089.

789,342

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(6,565,250)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

(95,798)

Azusa Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	\$ 422,068
Discount amortization	(4,045)
Deferred amount on refunding amortization	(250,909)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	6,075,000
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Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on outstanding debt issuances decreased by \$476,188, and second, \$4,460,589 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(3,984,401)

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net income of the Internal Service Fund is reported with governmental activities.

1,971,610

Change in net position of governmental activities

\$ 16,995,327

Azusa Unified School District  
Statement of Net Position – Proprietary Funds  
June 30, 2021

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	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 11,056,436
Receivables	18,193
Prepaid expenses	<u>189,966</u>
Total assets	<u>\$ 11,264,595</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 32,371
Current portion of liabilities on unpaid claims and ULAE	<u>606,380</u>
Total current liabilities	<u>638,751</u>
Noncurrent liabilities	
Liabilities on unpaid claims and ULAE, net of current portion	<u>4,105,967</u>
Total liabilities	<u>4,744,718</u>
Net Position	
Restricted	<u>\$ 6,519,877</u>



Azusa Unified School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2021

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	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for services	<u>\$ 4,504,178</u>
Operating Expenses	
Professional services and contracts	646,376
Credit for estimated unpaid claims	(1,276,286)
Credit for unallocated loss adjustment expenses	(82,959)
Insurance premiums	<u>3,232,134</u>
Total operating expenses	<u>2,519,265</u>
Operating Income	<u>1,984,913</u>
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(60,973)
Interest income	<u>47,670</u>
Total nonoperating expenses	<u>(13,303)</u>
Change in Net Position	<u>1,971,610</u>
Total Net Position - Beginning	<u>4,548,267</u>
Total Net Position - Ending	<u><u>\$ 6,519,877</u></u>

Azusa Unified School District  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Cash receipts from interfund services provided	\$ 4,504,178
Cash receipts from claims and claims administration	182,191
Cash payments to other suppliers of goods or services	(636,569)
Cash payments to insurance premiums	<u>(3,232,134)</u>
Net Cash From Operating Activities	<u>817,666</u>
Investing Activities	
Net loss on investments	<u>(13,303)</u>
Net Change in Cash and Cash Equivalents	804,363
Cash and Cash Equivalents, Beginning	<u>10,252,073</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 11,056,436</u></u>
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 1,984,913
Changes in assets and liabilities	
Receivables	356,625
Prepaid expenses	(189,966)
Accounts payable	9,807
Unpaid claims and ULAE liabilities	<u>(1,343,713)</u>
Net Cash From Operating Activities	<u><u>\$ 817,666</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

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

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

#### **Major Governmental Funds**

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

Two funds currently defined as special revenue funds in the California 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 \$6,703,715.

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive 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.).

### Non-Major Governmental Funds

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

- **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.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **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 financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **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.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Project exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

#### **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 segment of the District and for each governmental function. 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 allocates indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting 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. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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.

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

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

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

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Prepaid Expenditures (Expenses)**

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

### **Stores Inventories**

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

### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term 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.

### **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 recognizes 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.

### **Fund Balances - Governmental Funds**

As of June 30, 2021, 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.

**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 five 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 \$34,924,173, of net position which is restricted by enabling legislation.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that 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.

### **Change in Accounting Principles**

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities and trust funds from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 14.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 86,315,354
Proprietary funds	<u>11,056,436</u>
Total deposits and investments	<u><u>\$ 97,371,790</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 420,340
Cash with fiscal agent	250,000
Cash in revolving	25,000
Investments	<u>96,676,450</u>
Total deposits and investments	<u><u>\$ 97,371,790</u></u>

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

**Policies and Practices**

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

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

**General Authorizations**

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

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

**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 \$96,312,528, with the Los Angeles County Investment Pool. This investment has an average weighted maturity of 1,043 days. The District's investments in money market funds of \$363,922, generally have a maturity of less than 60 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, 2021.

**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, 2021, the District's bank balance of \$828,935, was exposed to custodial credit risk because it was insured and uncollateralized.

**Note 3 - Receivables**

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 2,471,525	\$ -	\$ -	\$ 667,834	\$ -	\$ 3,139,359
State Government						
LCFF apportionment	10,763,992	-	-	-	-	10,763,992
Categorical aid	883,234	-	-	206,745	-	1,089,979
Lottery	524,110	-	-	-	-	524,110
Local Government						
Interest	64,376	49,169	25,002	24,805	18,193	181,545
Other local sources	1,416,011	-	-	18,066	-	1,434,077
<b>Total</b>	<b>\$16,123,248</b>	<b>\$49,169</b>	<b>\$ 25,002</b>	<b>\$ 917,450</b>	<b>\$ 18,193</b>	<b>\$17,133,062</b>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,491,489	\$ -	\$ -	\$ 1,491,489
Construction in progress	7,304,531	13,805	(7,262,643)	55,693
<b>Total capital assets not being depreciated</b>	<b>8,796,020</b>	<b>13,805</b>	<b>(7,262,643)</b>	<b>1,547,182</b>
Capital assets being depreciated				
Land improvements	30,906,653	13,095,986	-	44,002,639
Buildings and improvements	159,981,011	1,901,422	-	161,882,433
Furniture and equipment	8,819,542	769,082	-	9,588,624
<b>Total capital assets being depreciated</b>	<b>199,707,206</b>	<b>15,766,490</b>	<b>-</b>	<b>215,473,696</b>
<b>Total capital assets</b>	<b>208,503,226</b>	<b>15,780,295</b>	<b>(7,262,643)</b>	<b>217,020,878</b>
Accumulated depreciation				
Land improvements	(5,837,826)	(1,332,274)	-	(7,170,100)
Buildings and improvements	(102,847,306)	(5,674,335)	-	(108,521,641)
Furniture and equipment	(7,935,705)	(300,765)	-	(8,236,470)
<b>Total accumulated depreciation</b>	<b>(116,620,837)</b>	<b>(7,307,374)</b>	<b>-</b>	<b>(123,928,211)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 91,882,389</b>	<b>\$ 8,472,921</b>	<b>\$ (7,262,643)</b>	<b>\$ 93,092,667</b>

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

<b>Governmental Activities</b>	
Instruction	\$ 5,699,863
Instructional library, media, and technology	438,451
Home-to-school transportation	146,152
All other pupil services	146,152
Data processing	72,928
All other administration	365,377
Plant services	438,451
<b>Total depreciation expenses governmental activities</b>	<b>\$ 7,307,374</b>



**Note 5 - Accounts Payable**

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Vendor payables	\$ 1,771,324	\$ -	\$ 120,625	\$ -	\$ 1,891,949
Salaries and benefits	10,570,353	6,043	605,733	-	11,182,129
Other services	-	-	-	32,371	32,371
Construction	<u>-</u>	<u>606,256</u>	<u>-</u>	<u>-</u>	<u>606,256</u>
 Total	 <u>\$ 12,341,677</u>	 <u>\$ 612,299</u>	 <u>\$ 726,358</u>	 <u>\$ 32,371</u>	 <u>\$ 13,712,705</u>

**Note 6 - Unearned Revenue**

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

	General Fund	Non-Major Governmental Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Federal financial assistance	\$ 1,883,724	\$ 26,327	\$ 1,910,051
State categorical aid	3,454,141	-	3,454,141
Other local	<u>-</u>	<u>1,001</u>	<u>1,001</u>
 Total	 <u>\$ 5,337,865</u>	 <u>\$ 27,328</u>	 <u>\$ 5,365,193</u>

**Note 7 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
<b>Long-Term Liabilities</b>					
General obligation bonds	\$ 177,390,326	\$ 4,460,589	\$ (6,075,000)	\$ 175,775,915	\$ 5,485,000
Certificates of participation	4,920,000	-	-	4,920,000	180,000
Premium on bond issuance	5,454,888	-	(422,068)	5,032,820	-
Discount on issuance	(78,950)	-	4,045	(74,905)	-
Supplemental early retirement plan	2,360,214	-	(588,253)	1,771,961	590,054
Compensated absences	739,854	-	(201,089)	538,765	-
Claims liability	6,056,060	-	(1,485,093)	4,570,967	465,000
<b>Total</b>	<b>\$ 196,842,392</b>	<b>\$ 4,460,589</b>	<b>\$ (8,767,458)</b>	<b>\$ 192,535,523</b>	<b>\$ 6,720,054</b>

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.

**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:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
07/10/02	7/1/2027	2.50 to 6.44%	\$ 29,998,763	\$ 6,285,643	\$ -	\$ 410,875	\$ -	\$ 6,696,518
01/07/10	8/1/2049	2.00 to 7.50%	57,455,978	65,504,683	-	4,049,714	(560,000)	68,994,397
09/01/11	7/1/2024	2.00 to 5.00%	20,285,000	12,150,000	-	-	(2,045,000)	10,105,000
08/04/15	8/1/2044	0.35 to 4.10%	28,000,000	24,135,000	-	-	-	24,135,000
09/01/16	8/1/2032	2.00 to 5.00%	21,525,000	20,930,000	-	-	(150,000)	20,780,000
12/21/17	8/1/2042	2.00 to 5.00%	25,000,000	750,000	-	-	(250,000)	500,000
04/03/19	8/1/2044	4.00 to 5.00%	25,000,000	25,000,000	-	-	(2,550,000)	22,450,000
09/26/19	8/1/2041	1.71 to 2.9%	22,635,000	22,635,000	-	-	(520,000)	22,115,000
				<u>\$ 177,390,326</u>	<u>\$ -</u>	<u>\$ 4,460,589</u>	<u>\$ (6,075,000)</u>	<u>\$ 175,775,915</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, 2002, 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, 2021, the principal balance outstanding was \$6,696,518.

### **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 \$59.0 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, 2021, the principal balance still outstanding was \$68,994,397.

### **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, 2021, the principal balance outstanding was \$10,105,000 and unamortized premium was \$366,100.

### **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 \$28,129,364 (representing the principal amount of \$28,000,000 plus a premium of \$129,364). At June 30, 2021, the principal balance outstanding was \$24,135,000, and unamortized premium was \$102,599.

### **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, 2021, the principal balance outstanding was \$20,780,000 and unamortized premium was \$1,779,565.

### **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 \$2,670,473, and issuance costs of \$273,750). During the current year, the bonds were refunded with the issuance of the General Obligation Refunding Bonds, Series 2019. At June 30, 2021, the principal balance outstanding was \$500,000, and unamortized premium was \$43,910.

### **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 \$27,396,473 (representing the principal amount of \$25,000,000, plus a premium of \$3,098,121, and issuance costs of \$273,750). At June 30, 2021, the principal balance outstanding was \$22,450,000, and unamortized premium was \$2,740,646.

### **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 1.7 percent to 2.58 percent with a final maturity date of August 1, 2034. The bonds were issued to refund, on an advance basis, a portion of the District's outstanding 2017 General Obligation Bonds, Election of 2014, Series B. 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, 2021, the principal balance outstanding was \$22,115,000.

**Debt Service Requirements to Maturity**

The bonds mature through 2050 as follows:

Bonds Maturing Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Compound Interest Paid at Maturity	Total
2022	\$ 5,467,034	\$ 17,966	\$ 4,298,438	\$ 9,783,438
2023	4,173,851	61,149	4,139,103	8,374,103
2024	4,370,891	114,109	4,024,530	8,509,530
2025	4,677,525	167,475	3,908,527	8,753,527
2026	4,292,190	977,810	3,828,932	9,098,932
2027-2031	30,827,419	2,502,581	16,902,098	50,232,098
2032-2036	38,377,253	18,685,562	10,029,035	67,091,850
2037-2041	39,302,555	45,422,792	6,304,750	91,030,097
2042-2046	34,101,175	63,402,390	1,767,175	99,270,740
2046-2050	10,186,022	64,090,109	-	74,276,131
<b>Total</b>	<b>\$ 175,775,915</b>	<b>\$ 195,441,943</b>	<b>\$ 55,202,588</b>	<b>\$ 426,420,446</b>

**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. At June 30, 2021, the principal balance outstanding was \$4,920,000 and unamortized discount was \$74,905.

The certificates mature through 2041 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 180,000	\$ 182,375	\$ 362,375
2023	185,000	180,575	365,575
2024	185,000	176,694	361,694
2025	190,000	172,300	362,300
2026	195,000	167,375	362,375
2027-2031	1,085,000	742,638	1,827,638
2032-2036	1,300,000	531,250	1,831,250
2037-2041	1,600,000	242,144	1,842,144
<b>Total</b>	<b>\$ 4,920,000</b>	<b>\$ 2,395,351</b>	<b>\$ 7,315,351</b>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$538,765.

**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, 2021, is \$1,771,961.

Future payments are as follows:

Year Ending June 30,	Payment
2022	\$ 590,054
2023	590,054
2024	591,853
	\$ 1,771,961

**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, 2021 amounted to \$4,570,967 using a discount factor of 2.0 percent. See Note 11 for additional details.

**Note 8 - Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 19,036,504	\$ 715,949	\$ 3,804,260	\$ 766,789
Medicare Premium Payment (MPP) Program	658,615	-	-	51,273
Total	<u>\$ 19,695,119</u>	<u>\$ 715,949</u>	<u>\$ 3,804,260</u>	<u>\$ 818,062</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, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	46
Active employees	<u>887</u>
Total	<u>933</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, AEA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2021, the District paid \$722,264 in benefits (including implicit rate subsidies).

**Total OPEB Liability of the District**

The District's total OPEB liability of \$19,036,504 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.18 percent
Healthcare cost trend rates	7.00 percent

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

Mortality rates for CalSTRS (certificated employees) were based on the 2021 experience study. Mortality rates for CalPERS (classified employees) were based on the 2017 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, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance, June 30, 2020	\$ 17,862,379
Service cost	896,883
Interest	489,453
Changes of assumptions	510,053
Benefit payments	<u>(722,264)</u>
Net change in total OPEB liability	<u>1,174,125</u>
Balance, June 30, 2021	<u>\$ 19,036,504</u>



Changes of assumptions and other inputs are as follows:

A change in the discount rate as of the end of the fiscal year changed from 2.66 percent to 2.18 percent based on the change in 20-year municipal bond yields.

A change in the inflation rate as of the end of the fiscal year changed from 2.79 percent to 2.75 percent.

**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:

Discount Rate	Total OPEB Liability
1% decrease (1.18%)	\$ 20,106,219
Current discount rate (2.18%)	19,036,504
1% increase (3.18%)	17,978,611

**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:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (6.0%)	\$ 17,340,718
Current healthcare cost trend rate (7.0%)	19,036,504
1% increase (8.0%)	20,973,762

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$766,789. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,964,437
Changes of assumptions	715,949	1,839,823
<b>Total</b>	<b>\$ 715,949</b>	<b>\$ 3,804,260</b>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (619,547)
2023	(619,547)
2024	(619,547)
2025	(637,138)
2026	(680,473)
Thereafter	87,941
Total	\$ (3,088,311)

### 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, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### Benefits Provided

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

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

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

**Net OPEB Liability and OPEB Expense**

At June 30, 2021, the District reported a liability of \$658,615 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.1554 percent and 0.1631 percent, resulting in a net decrease in the proportionate share of 0.0077 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$51,273.

**Actuarial Methods and Assumptions**

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

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	June 30, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18 percent of the potentially eligible population (159,339).

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, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.210 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29 percent from 3.50 percent as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 728,283
Current discount rate (2.21%)	658,615
1% increase (3.21%)	599,334

**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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 597,189
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	658,615
1% increase (5.50% Part A and 6.40% Part B)	729,328

**Note 9 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	-	-	-	48,922	48,922
Prepaid expenditures	955,355	-	-	-	955,355
Total nonspendable	<u>980,355</u>	<u>-</u>	<u>-</u>	<u>48,922</u>	<u>1,029,277</u>
<b>Restricted</b>					
Legally restricted programs	4,501,522	-	-	-	4,501,522
Student activity	-	-	-	397,314	397,314
Adult education	-	-	-	537,362	537,362
Child development	-	-	-	141,158	141,158
Food service	-	-	-	2,693,578	2,693,578
Capital projects	-	21,833,405	12,090,426	1,377,080	35,300,911
Debt services	-	-	-	8,604,826	8,604,826
Total restricted	<u>4,501,522</u>	<u>21,833,405</u>	<u>12,090,426</u>	<u>13,751,318</u>	<u>52,176,671</u>
<b>Assigned</b>					
AEA reserve	1,022,014	-	-	-	1,022,014
Supplemental and concentration unspent	5,901,407	-	-	-	5,901,407
Future rising costs	5,064,784	-	-	-	5,064,784
Deferred maintenance	2,556,385	-	-	-	2,556,385
Adult education	-	-	-	393,106	393,106
Child development	-	-	-	9,768	9,768
Capital projects	-	-	-	10,118,613	10,118,613
Other	3,661,313	-	-	-	3,661,313
Total assigned	<u>18,205,903</u>	<u>-</u>	<u>-</u>	<u>10,521,487</u>	<u>28,727,390</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	3,455,635	-	-	-	3,455,635
Total	<u>\$ 27,143,415</u>	<u>\$ 21,833,405</u>	<u>\$ 12,090,426</u>	<u>\$ 24,321,727</u>	<u>\$ 85,388,973</u>

## **Note 10 - 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 2021, 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 districts 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 Permanente, 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, 2019 to June 30, 2021 (in thousands):

	<u>Dental Care</u>	<u>Workers' Compensation</u>	<u>Total</u>
Liability Balance, July 1, 2019	\$ 162,800	\$ 11,295,230	\$ 11,458,030
Claims and changes in estimates	718,138	(4,932,475)	(4,214,337)
Claims payments	<u>(755,090)</u>	<u>(432,543)</u>	<u>(1,187,633)</u>
Liability Balance, June 30, 2020	125,848	5,930,212	6,056,060
Claims and changes in estimates	197,779	(895,116)	(697,337)
Claims payments	<u>(182,247)</u>	<u>(464,129)</u>	<u>(646,376)</u>
Liability Balance, June 30, 2021	<u>\$ 141,380</u>	<u>\$ 4,570,967</u>	<u>\$ 4,712,347</u>
Assets available to pay claims at June 30, 2021	<u>\$ 1,049,059</u>	<u>\$ 10,215,535</u>	<u>\$ 11,264,594</u>

**Note 11 - 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, 2021, 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</u>
CalSTRS	\$ 86,434,765	\$ 18,792,829	\$ 7,197,959	\$ 10,723,996
CalPERS	<u>33,274,342</u>	<u>5,587,640</u>	<u>1,454,936</u>	<u>6,222,282</u>
Total	<u>\$ 119,709,107</u>	<u>\$ 24,380,469</u>	<u>\$ 8,652,895</u>	<u>\$ 16,946,278</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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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



The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

**Contributions**

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$7,262,460.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 86,434,765
State's proportionate share of the net pension liability	44,557,132
Total	\$ 130,991,897

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0892 percent and 0.0922 percent, resulting in a net decrease in the proportionate share of 0.0030 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$10,723,996. In addition, the District recognized pension expense and revenue of \$6,242,017, for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,262,460	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	896,045	4,760,352
Differences between projected and actual earnings on pension plan investments	2,053,192	-
Differences between expected and actual experience in the measurement of the total pension liability	152,518	2,437,607
Changes of assumptions	8,428,614	-
Total	\$ 18,792,829	\$ 7,197,959

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,252,846)
2023	699,560
2024	1,395,701
2025	1,210,777
Total	\$ 2,053,192

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,326,481
2023	1,267,563
2024	1,513,351
2025	(919,779)
2026	(505,077)
Thereafter	(403,321)
Total	\$ 2,279,218

#### Actuarial Methods and Assumptions

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

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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%

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.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 130,590,891
Current discount rate (7.10%)	86,434,765
1% increase (8.10%)	49,977,666

**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, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

**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, 2021, are presented above and the total District contributions were \$3,118,568.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,274,342. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.1084 percent and 0.1121 percent, resulting in a net decrease in the proportionate share of 0.0037 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$6,222,282. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	of Resources	of Resources
Pension contributions subsequent to measurement date	\$ 3,118,568	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,084	1,454,936
Differences between projected and actual earnings on pension plan investments	692,665	-
Differences between expected and actual experience in the measurement of the total pension liability	1,650,305	-
Changes of assumptions	122,018	-
Total	\$ 5,587,640	\$ 1,454,936

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (259,210)
2023	231,207
2024	401,874
2025	318,794
Total	\$ 692,665

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 625,713
2023	32,231
2024	(302,503)
2025	(33,970)
Total	\$ 321,471

#### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

#### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 47,837,935
Current discount rate (7.15%)	33,274,342
1% increase (8.15%)	21,187,291



**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,042,546 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

**Note 12 - 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, 2021.

**Litigation**

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

**Construction Commitments**

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Azusa HS and Gladstone HS Track & Field	\$ 5,846,131	06/30/22
Center MS Modernization	9,150,000	12/31/22
Dalton ES Modernization	5,200,000	12/31/22
Lee ES Modernization	5,200,000	12/31/22
Paramount ES Classroom Modernization	5,200,000	12/31/22
Slauson MS Modernization	9,500,000	12/31/22
	<hr/>	
Total	\$ 40,096,131	
	<hr/> <hr/>	

**Note 13 - 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, 2021, the District made payments of \$2,549,536, and \$82,099, to ASCIP and SELF, respectively.

**Note 14 - Restatement of Prior Year Net Position and Fund Balance**

As of July 1, 2020, the Azusa Unified School District adopted GASB Statement No. 84, Fiduciary Activities (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 16,941,304	\$ 67,527,490
Reclassification of student activity funds from agency funds to a special revenue fund	434,051	434,051
Fund Balance - Beginning as Restated at July 1, 2020	\$ 17,375,355	\$ 67,961,541
Governmental Activities		
Beginning Net Position as previously reported at June 30, 2020		\$ (147,077,258)
Reclassification of student activity funds from agency funds to a special revenue fund		434,051
Net Position - Beginning as Restated, at July 1, 2020		\$ (146,643,207)



Required Supplementary Information  
June 30, 2021

# Azusa Unified School District

Azusa Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 78,151,451	\$ 84,465,181	\$ 84,652,498	\$ 187,317
Federal sources	10,560,228	17,502,803	15,512,432	(1,990,371)
Other State sources	4,176,923	9,582,405	13,712,643	4,130,238
Other local sources	8,055,589	7,864,028	7,744,693	(119,335)
Total revenues <sup>1</sup>	<u>100,944,191</u>	<u>119,414,417</u>	<u>121,622,266</u>	<u>2,207,849</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	45,517,149	45,749,228	44,830,922	918,306
Classified salaries	16,476,300	16,348,738	16,986,754	(638,016)
Employee benefits	20,555,182	19,166,950	24,432,866	(5,265,916)
Books and supplies	6,658,573	11,376,361	11,362,501	13,860
Services and operating expenditures	14,418,382	15,864,356	13,450,261	2,414,095
Other outgo	3,156,495	3,136,281	3,208,653	(72,372)
Capital outlay	-	992,997	994,554	(1,557)
Total expenditures <sup>1</sup>	<u>106,782,081</u>	<u>112,634,911</u>	<u>115,266,511</u>	<u>(2,631,600)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,837,890)</u>	<u>6,779,506</u>	<u>6,355,755</u>	<u>(423,751)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	12,000	12,000	-	(12,000)
Transfers out	(1,992,705)	(1,000,000)	-	1,000,000
Net financing sources (uses)	<u>(1,980,705)</u>	<u>(988,000)</u>	<u>-</u>	<u>988,000</u>
Net Change in Fund Balances	(7,818,595)	5,791,506	6,355,755	564,249
Fund Balance - Beginning	<u>20,787,660</u>	<u>20,787,660</u>	<u>20,787,660</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 12,969,065</u>	<u>\$ 26,579,166</u>	<u>\$ 27,143,415</u>	<u>\$ 564,249</u>

<sup>1</sup> Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the actual revenues and expenditures, however are not included in the original and final budgeted amounts. On behalf payments of \$5,042,546 are included in the actual revenues and expenditures, but have not been included in the original and final budgeted amounts.

Azusa Unified School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 896,883	\$ 864,884	\$ 863,624	\$ 871,811
Interest	489,453	642,419	659,235	664,637
Changes of benefit terms	-	-	290,693	229,272
Difference between expected and actual experience	-	(2,750,213)	-	-
Changes of assumptions	510,053	(2,575,751)	-	-
Benefit payments	<u>(722,264)</u>	<u>(953,123)</u>	<u>(869,112)</u>	<u>(870,505)</u>
Net change in total OPEB liability	1,174,125	(4,771,784)	944,440	895,215
Total OPEB Liability - Beginning	<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>\$ 19,036,504</u>	<u>\$ 17,862,379</u>	<u>\$ 22,634,163</u>	<u>\$ 21,689,723</u>
Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Azusa Unified School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1554%	0.1631%	0.1638%	0.1716%
Proportionate share of the net OPEB liability	\$ 658,615	\$ 607,342	\$ 626,892	\$ 722,123
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Azusa Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability	0.0892%	0.0922%	0.0912%	0.0948%	0.0963%	0.0972%	0.0950%
Proportionate share of the net pension liability	\$ 86,434,765	\$ 83,264,728	\$ 83,862,092	\$ 87,679,321	\$ 77,905,059	\$ 65,435,675	\$ 55,515,150
State's proportionate share of the net pension liability	44,557,132	45,426,468	48,014,970	51,870,346	44,349,960	34,608,259	33,522,444
Total	<u>\$ 130,991,897</u>	<u>\$ 128,691,196</u>	<u>\$ 131,877,062</u>	<u>\$ 139,549,667</u>	<u>\$ 122,255,019</u>	<u>\$ 100,043,934</u>	<u>\$ 89,037,594</u>
Covered payroll	<u>\$ 49,065,187</u>	<u>\$ 50,518,311</u>	<u>\$ 49,886,757</u>	<u>\$ 48,783,800</u>	<u>\$ 47,216,533</u>	<u>\$ 40,030,755</u>	<u>43,087,648</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	176.16%	164.82%	168.10%	179.73%	165.00%	163.46%	128.84%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability	0.1084%	0.1121%	0.1145%	0.1151%	0.1167%	0.1163%	0.1152%
Proportionate share of the net pension liability	\$ 33,274,342	\$ 32,683,155	\$ 30,529,054	\$ 27,489,271	\$ 23,039,876	\$ 17,147,484	\$ 13,078,005
Covered payroll	<u>\$ 15,899,650</u>	<u>\$ 18,451,622</u>	<u>\$ 15,142,991</u>	<u>\$ 14,354,356</u>	<u>\$ 13,856,698</u>	<u>\$ 11,917,553</u>	<u>12,259,185</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	209.28%	177.13%	201.61%	191.50%	166.27%	143.88%	106.68%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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



Azusa Unified School District  
Schedule of District Contributions  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 7,262,460	\$ 8,390,147	\$ 8,224,381	\$ 7,198,659	\$ 6,137,002	\$ 5,066,334	\$ 3,554,731
Less contributions in relation to the contractually required contribution	<u>7,262,460</u>	<u>8,390,147</u>	<u>8,224,381</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 44,968,793</u>	<u>\$ 49,065,187</u>	<u>\$ 50,518,311</u>	<u>\$ 49,886,757</u>	<u>\$ 48,783,800</u>	<u>\$ 47,216,533</u>	<u>\$ 40,030,755</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>							
Contractually required contribution	\$ 3,118,568	\$ 3,135,570	\$ 3,332,732	\$ 2,351,858	\$ 1,993,820	\$ 1,641,603	\$ 1,402,696
Less contributions in relation to the contractually required contribution	<u>3,118,568</u>	<u>3,135,570</u>	<u>3,332,732</u>	<u>2,351,858</u>	<u>1,993,820</u>	<u>1,641,603</u>	<u>1,402,696</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 15,065,546</u>	<u>\$ 15,899,650</u>	<u>\$ 18,451,622</u>	<u>\$ 15,142,991</u>	<u>\$ 14,356,423</u>	<u>\$ 13,856,698</u>	<u>\$ 11,916,541</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

**Note 1 - Purpose of Schedules**

**Budgetary Comparison Schedule**

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

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

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

At June 30, 2021, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	\$ 113,634,911	\$ 115,266,511	\$ 1,631,600

\* Includes on behalf payments of \$5,042,546 that were not budgeted. In addition, as a result of the consolidation of Fund 14 into the General Fund for GASB 54 purposes, actual expenditures include amounts pertaining to Fund 14 that are not included in budgeted amounts.

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

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

- *Change in Benefit Terms* – There were no changes in the benefits terms since the previous valuation.
- *Change of Assumptions* – A change in the discount rate as of the end of the fiscal year changed from 2.66 percent to 2.18 percent. Additionally, inflation rate as of the end of the fiscal year changed from 2.79 percent to 2.75 percent.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50 percent to 2.21 percent since the previous valuation.

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

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

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

#### **Schedule of District Contributions**

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



Supplementary Information  
June 30, 2021

# Azusa Unified School District

Azusa Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed Through California Department of Education (CDE)			
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516	\$ 8,694,645
Total U.S. Department of Education			<u>8,694,645</u>
U.S. Department of Education			
Passed Through CDE			
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	551,944
COVID-19 Child Nutrition: COVID CARE Act Supplemental Meal Reimbursement	84.425D	15535	343,893
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C	15517	<u>160,827</u>
Subtotal			<u>1,056,664</u>
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 1,610,444
Special Education Grants to States - Mental Health	84.027A	15197	106,906
Special Education Preschool Grants	84.173	13430	45,302
Special Education Preschool Grants - Staff Development	84.173A	13430	<u>520</u>
Total Special Education Cluster			<u>1,763,172</u>
Adult Education - Basic Grants to States ELA	84.002A	14508	53,279
Adult Education - Basic Grants to States Secondary	84.002	13978	47,162
Adult Education - Basic Grants to States English Literacy and Civics	84.002	14109	<u>56,784</u>
Subtotal			<u>157,225</u>
Title I Grants to Local Educational Agencies - Low Income and Neglected	84.010	14329	2,923,676
Title I Grants to Local Educational Agencies - School Improvement Funding	84.010	15438	<u>41,675</u>
Subtotal			<u>2,965,351</u>

Azusa Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	35,477
Supporting Effective Instruction State Grants	84.367	14341	70,421
Twenty-First Century Community Learning Centers	84.287	14349	962,209
Student Support and Academic Enrichment Program	84.424	15396	84,984
Migrant Education State Grants - Regular and Summer	84.011	14326	16,108
Career and Technical Education - Basic Grant to States	84.048	14894	91,998
Special Education - Grants for Infant and Families	84.181	23761	<u>113,731</u>
Total U.S. Department of Education			<u>7,317,340</u>
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
Summer Food Service Program for Children - Operation	10.559	13004	3,784,597
Summer Food Service Program for Children - Administration	10.559	13006	388,113
National School Lunch Program - Commodities	10.553	13524	<u>428,074</u>
Total Child Nutrition Cluster			<u>4,600,784</u>
Child and Adult Care Food Program	10.558	13393	2,345,394
Fresh Fruit and Vegetable Program	10.582	14968	65,692
Forest Service Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	<u>1,565</u>
Total Forest Service Schools and Roads Cluster			<u>1,565</u>
Total U.S. Department of Agriculture			<u>7,013,435</u>
Total Federal Financial Assistance			<u><u>\$ 23,025,420</u></u>

**ORGANIZATION**

The 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.

**GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
Gabriela Arellanes	President	2022
Adrian Greer	Vice President	2022
Sabrina Bow, Ed. D.	Clerk	2024
Yolanda Rodriguez-Peña	Member	2024
Xilonin Cruz-Gonzalez	Member	2022

**ADMINISTRATION**

Arturo Ortega	Superintendent
Jorge Ronquillo	Assistant Superintendent, Human Resources
Latasha D. Jamal	Assistant Superintendent, Business Services
Dayna Mitchell	Assistant Superintendent, Educational Services

Azusa Unified School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied



Azusa Unified School District  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2021

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Building Fund</u>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 22,126,467
Increase in	
Accounts payable	<u>(293,062)</u>
Balance, June 30, 2021, Audited Financial Statements	<u>\$ 21,833,405</u>

Azusa Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund <sup>3</sup>				
Revenues	\$ 114,039,845	\$ 121,622,141	\$ 117,543,092	\$ 121,750,978
Other sources	12,000	-	15,396	8,084
Total Revenues and Other Sources	<u>114,051,845</u>	<u>121,622,141</u>	<u>117,558,488</u>	<u>121,759,062</u>
Expenditures	102,229,302	114,187,781	112,295,255	121,985,756
Other uses and transfers out	1,000,000	1,000,000	6,918,222	1,578,829
Total Expenditures and Other Uses	<u>103,229,302</u>	<u>115,187,781</u>	<u>119,213,477</u>	<u>123,564,585</u>
Increase/(Decrease) in Fund Balance	<u>10,822,543</u>	<u>6,434,360</u>	<u>(1,654,989)</u>	<u>(1,805,523)</u>
Ending Fund Balance	<u>\$ 31,262,243</u>	<u>\$ 20,439,700</u>	<u>\$ 14,005,340</u>	<u>\$ 15,660,329</u>
Available Reserves <sup>2</sup>	<u>\$ 3,103,507</u>	<u>\$ 3,455,635</u>	<u>\$ 14,510,565</u>	<u>\$ 13,719,176</u>
Available Reserves as a Percentage of Total Outgo	<u>3.01%</u>	<u>3.00%</u>	<u>12.17%</u>	<u>11.10%</u>
Long-Term Obligations	<u>N/A</u>	<u>\$ 331,939,749</u>	<u>\$ 331,259,996</u>	<u>\$ 339,308,699</u>
K-12 Average Daily Attendance at P-2	<u>6,782</u>	<u>7,318</u>	<u>7,318</u>	<u>7,771</u>

The General Fund balance has increased by \$4,779,371 over the past two years. The fiscal year 2021-2022 budget projects an additional increase of \$10,822,543 (52.9 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have decreased by \$7,368,950 over the past two years.

Average daily attendance has decreased by 453 over the past two years. An additional decline of 536 ADA is anticipated during fiscal year 2021-2022.

<sup>1</sup> Budget 2022 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

Azusa Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
<b>Assets</b>					
Deposits and investments	\$ 418,590	\$ 940,366	\$ 156,609	\$ 2,513,730	\$ 1,374,077
Receivables	-	165,896	113,281	617,500	2,824
Stores inventories	-	-	-	48,922	-
<b>Total assets</b>	<b>\$ 418,590</b>	<b>\$ 1,106,262</b>	<b>\$ 269,890</b>	<b>\$ 3,180,152</b>	<b>\$ 1,376,901</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 21,276	\$ 175,794	\$ 118,964	\$ 410,324	\$ -
Unearned revenue	-	-	-	27,328	-
<b>Total liabilities</b>	<b>21,276</b>	<b>175,794</b>	<b>118,964</b>	<b>437,652</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	48,922	-
Restricted	397,314	537,362	141,158	2,693,578	1,376,901
Assigned	-	393,106	9,768	-	-
<b>Total fund balances</b>	<b>397,314</b>	<b>930,468</b>	<b>150,926</b>	<b>2,742,500</b>	<b>1,376,901</b>
<b>Total liabilities and fund balances</b>	<b>\$ 418,590</b>	<b>\$ 1,106,262</b>	<b>\$ 269,890</b>	<b>\$ 3,180,152</b>	<b>\$ 1,376,901</b>

Azusa Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2021

	State School Building Lease Purchase Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 179	\$ 10,100,690	\$ 8,592,808	\$ 11,992	\$ 24,109,041
Receivables	-	17,923	-	26	917,450
Stores inventories	-	-	-	-	48,922
<b>Total assets</b>	<b>\$ 179</b>	<b>\$ 10,118,613</b>	<b>\$ 8,592,808</b>	<b>\$ 12,018</b>	<b>\$ 25,075,413</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 726,358
Unearned revenue	-	-	-	-	27,328
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>753,686</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	48,922
Restricted	179	-	8,592,808	12,018	13,751,318
Assigned	-	10,118,613	-	-	10,521,487
<b>Total fund balances</b>	<b>179</b>	<b>10,118,613</b>	<b>8,592,808</b>	<b>12,018</b>	<b>24,321,727</b>
<b>Total liabilities and fund balances</b>	<b>\$ 179</b>	<b>\$ 10,118,613</b>	<b>\$ 8,592,808</b>	<b>\$ 12,018</b>	<b>\$ 25,075,413</b>

Azusa Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental  
Funds  
Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
<b>Revenues</b>					
Federal sources	-	\$ 157,225	\$ 88,751	\$ 7,355,763	\$ -
Other State sources	-	1,503,278	1,172,760	4,040	-
Other local sources	68,315	65,242	67,636	4,835	225,941
Total revenues	68,315	1,725,745	1,329,147	7,364,638	225,941
<b>Expenditures</b>					
<b>Current</b>					
Instruction	-	769,288	809,695	-	-
Instruction-related activities					
Supervision of instruction	-	50,435	206,484	-	-
School site administration	-	744,609	83,600	-	-
Pupil services					
Food services	-	-	-	4,556,215	-
All other pupil services	-	134,703	-	-	-
Administration					
All other administration	-	72,380	56,235	129,275	-
Plant services	-	23,458	29,957	3,200	-
Ancillary services	105,052	-	-	-	-
Facility acquisition and construction	-	13,350	8,684	-	7,187
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	105,052	1,808,223	1,194,655	4,688,690	7,187
Net Change in Fund Balances	(36,737)	(82,478)	134,492	2,675,948	218,754
Fund Balance - Beginning, as restated	434,051	1,012,946	16,434	66,552	1,158,147
Fund Balance - Ending	<u>\$ 397,314</u>	<u>\$ 930,468</u>	<u>\$ 150,926</u>	<u>\$ 2,742,500</u>	<u>\$ 1,376,901</u>

Azusa Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental  
Funds  
Year Ended June 30, 2021

	State School Building Lease Purchase Fund	Special Reserve Fund for Capital Outlay Projects	Tax Override Fund	Total Non-Major Governmental Funds
<b>Revenues</b>				
Federal sources	\$ -	\$ -	\$ -	\$ 7,601,739
Other State sources	-	-	-	2,731,554
Other local sources	-	5,757,550	(2)	14,989,367
Total revenues	-	5,757,550	(2)	25,322,660
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	1,578,983
Instruction-related activities				
Supervision of instruction	-	-	-	256,919
School site administration	-	-	-	828,209
Pupil services				
Food services	-	-	-	4,556,215
All other pupil services	-	-	-	134,703
Administration				
All other administration	-	-	-	257,890
Plant services	-	-	-	56,615
Ancillary services	-	-	-	105,052
Facility acquisition and construction	-	-	-	29,221
Debt service				
Principal	-	-	-	6,075,000
Interest and other	-	-	-	4,497,481
Total expenditures	-	-	-	18,376,288
Net Change in Fund Balances	-	5,757,550	(2)	6,946,372
Fund Balance - Beginning as restated	179	4,361,063	12,020	17,375,355
Fund Balance - Ending	\$ 179	\$ 10,118,613	\$ 12,018	\$ 24,321,727

**Note 1 - Purpose of Schedules**

**Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation The accompanying schedule of federal awards (the schedule) includes the federal award activity of the Azusa Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Azusa Unified School District, it is not intended to and does not present the net position, change in fund balance, or cash flows of Azusa Unified School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had no food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act – One-Time Stipend funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the Child Development Non-Major Governmental Fund.

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
<b>Description</b>		
Total Federal Revenues reported on the financial statements		\$ 23,114,171
Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-Time Stipend	93.575	(88,751)
Total Schedule of Expenditures of Federal Awards		\$ 23,025,420

**Local Education Agency Organization Structure**

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

**Schedule of Instructional Time**

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Schedule of Financial Trends and Analysis**

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

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

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





Independent Auditor's Reports  
June 30, 2021

# Azusa Unified School District



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Azusa Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Azusa Unified School District’s basic financial statements and have issued our report thereon dated January 4, 2022.

**Emphasis of Matter – Change in Accounting Principles**

As discussed in Notes 1 and 14 to the financial statements, Azusa Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*, as item 2021-001, that we consider to be a material weakness.

### **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*.

### **Azusa Unified School District's Response to Findings**

Azusa Unified School District's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. Azusa Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
January 4, 2022



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

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

### **Report on Compliance for Each Major Federal Program**

We have audited Azusa Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Azusa Unified School District's major federal programs for the year ended June 30, 2021. 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.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
January 4, 2022



## Independent Auditor's Report on State Compliance

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

### **Report on State Compliance**

We have audited Azusa Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Compliance Requirements Tested**

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

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

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.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

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

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

**Basis for Qualified Opinion on School Accountability Report Card**

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs, as items 2021-002*, Azusa Unified School District did not comply with requirements regarding the School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Azusa Unified School District to comply with the requirements referred to above.

**Qualified Opinion on School Accountability Report Card**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Azusa Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

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

**Unmodified Opinion on Each of the Other Programs**

In our opinion, Azusa Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Eide Bailly LLP*

Rancho Cucamonga, California  
January 4, 2022





Schedule of Findings and Questioned Costs  
June 30, 2021

# Azusa Unified School District

**Financial Statements**

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

**Federal Awards**

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

**Identification of major programs**

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Coronavirus Relief Funds	21.019
Education Stabilization Fund	84.425C & 84.425D
Special Education Cluster (IDEA)	84.027, 84.027A, 84.173, 84.173A
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**State Compliance**

Type of auditor's report issued on compliance for programs	Unmodified*
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Unmodified for all programs except for the following program which was qualified:

Name of Program
School Accountability Report Card

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

	<b>Five Digit Code</b>	<b>AB 3627 Finding Type</b>
	<b>30000</b>	<b>Internal Control</b>
<b>2021-001</b>	<b>30000</b>	

**Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of journal entries used in the preparation of the financial statements to ensure that account balances have been reported completely, accurately, and in accordance with applicable accounting principles.

**Condition**

During the course of our engagement, we identified a material misstatement of balance presented within the District’s Building Fund, as reported on the 2020-2021 unaudited financial statements. The description of the misstatement is as follows:

- The District did not recognize a liability of \$293,062 for construction services rendered as of June 30, 2021. This resulted in an understatement of expenditures reported in the Building Fund by \$293,062.

**Questioned costs**

There were no questioned costs associated with the condition defined.

**Context**

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District’s 2020-2021 unaudited financial statements.

**Effect**

The effect of these errors resulted in misstatements that were not detected or prevented by the District’s internal accounting control and review process. As reported on the 2020-2021 unaudited financial statements, the District’s Building Fund was overstated by \$293,062.

**Cause**

The cause of the conditions identified appears to be due to an untimely or inadequate review processes related to the District's financial information.

**Repeat Finding**

Yes.

**Recommendation**

Management should review financial account balances to ensure that they have been correctly reported. Balances should be reconciled periodically and traced to supporting records to verify the accuracy and completeness of reported information. Additionally, management should ensure that all applicable accounting principles are adhered to when recording financial information.

**Corrective Action Plan/View of Responsible Official**

The District's Accounting Department leadership team continues to conduct on-going professional development to ensure that all staff have proper training and understanding of accounting principles. Specifically, the year-end closing process and accrual accounting have been reviewed, with additional training scheduled for June 2022.

None reported.

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

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	72000	School Accountability Report Card
2021-002	<b>72000</b>	

**Criteria or Specific Requirements**

As required by California *Education Code* Section 33126(b)(8), the School Accountability Report Card (SARC) shall include, but is not limited to, assessment of the safety, cleanliness, and adequacy of school facilities, including any need for maintenance. California *Education Code* Section 17002(d)(1) requires the use of the Facilities Inspection Tool (FIT), School Facility Conditions Evaluation, developed by the Office of Public School Construction (OPSC) and approved by the State Allocation Board, or a local evaluation instrument that meets the same criteria, to evaluate and document the condition of each school's facilities.

**Condition**

The SARC includes a report on the adequacy of school facilities which is derived from the information recorded on the Facilities Inspection Tool (FIT). It was noted that there was no recent FIT for Ellington K-8 School. In addition, the District did not use a FIT developed by the OPSC or a local evaluation instrument that meets the same criteria to documents its own inspection of those sites not evaluated by representatives from the Los Angeles County Office of Education.

**Questioned Costs**

There are no questioned costs associated with the condition identified.

**Context**

The condition was identified as a result of our review of the District's SARCs and their related facilities inspections documentation.

**Effect**

The District has not complied with requirements identified in California *Education Code* Section 33126, which states in part that the SARC shall provide data including the adequacy of school facilities, and California *Education Code* Section 17002(d)(1), which stipulates the format of the documentation of its evaluation of the school facilities in order to provide consistent information that parents may use to compare schools.

**Cause**

The condition identified was caused by the District's failure to perform a recent facilities inspection and to document the condition of Ellington K-8 School facilities and report them on the SARC in the consistent manner that allows parents to compare schools.

**Repeat Finding**

No.

**Recommendation**

District staff should review the requirements identified in California *Education Code* Sections 17002 (d)(1) and 33126. The Facility Inspection Tools, or similar document, should be kept on file to substantiate the condition of the District's facilities as reported on the SARC. Additionally, the District should provide management oversight to employees responsible for performing key compliance requirements.

**Corrective Action Plan and Views of Responsible Officials**

Effective December 2020, the District's Business Services Division engaged with California School Inspections to conduct a District wide inspection of active school campuses utilizing the Facilities Inspection Tool (FIT). For school districts, FIT inspections are to be completed annually by either District staff, an agency, or by the county office of education. Though the county office of education completes FIT inspections, they only inspect 25% of the school sites. As of February 2021, all school sites are in compliance with FIT inspection and reporting requirements which will be reflected on the 2021-2022 SARC. The District will continue to ensure that timely, annual inspections are completed for each active school campus.

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

### Financial Statement Findings

**2020-001      30000**

#### **Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of journal entries used in the preparation of the financial statements to ensure that account balances have been reported completely, accurately, and in accordance with applicable accounting principles.

#### **Condition**

During the course of our engagement, we identified errors within the District's 2019-2020 unaudited financial statements as detailed below:

- The District had made a payment related to the long-term liabilities for the supplemental early retirement plan and recorded the payment as a prepaid expenditure, resulting in a \$1,192,245 overstatement of the General Fund.
- The District had various misstatements in the accounts receivable within the Cafeteria Non-Major Governmental Fund balances. Some of the misstatements included beginning balances that were not cleared. Other errors included unrelated credit entries that ultimately offset against the beginning balance but were not intended to. No audit adjustment was required; however, the errors were an indication of a control deficiency.

#### **Questioned costs**

There were no questioned costs associated with the condition defined.

#### **Context**

The conditions were identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2019-2021 unaudited financial statements.

#### **Effect**

The effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process. As reported on the 2019-2020 unaudited financial statements, the District's General Fund was overstated by \$1,192,245.



**Cause**

The cause of the conditions identified appears to be due to an untimely or inadequate review processes related to the District's financial information.

**Repeat Finding**

No.

**Recommendation**

Management should review financial account balances to ensure that they have been correctly reported. Balances should be reconciled periodically and traced to supporting records to verify the accuracy and completeness of reported information. Additionally, management should ensure that all applicable accounting principles are adhered to when recording financial information.

**Current Status**

Partially implemented. See Finding 2021-001.