

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
**SAN BENITO COUNTY**  
**AUDIT REPORT**  
**For the Fiscal Year Ended**  
**June 30, 2021**

NIGRO & NIGRO<sup>PC</sup>



# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

*For the Fiscal Year Ended June 30, 2021*

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# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

*For the Fiscal Year Ended June 30, 2021*

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## *Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Aromas-San Juan Unified School District  
San Juan Bautista, 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 Aromas-San Juan Unified School District, as of and for the fiscal 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.

### Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2020-21 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 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 Aromas-San Juan Unified School District, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the beginning net position on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

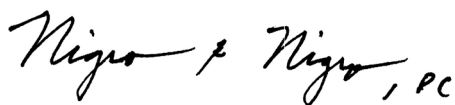
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information 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 the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 62 to 64 and the schedule of expenditures of federal awards on page 65 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 61 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
December 6, 2021



# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

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This discussion and analysis of Aromas-San Juan Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total net position increased 9.2% over the course of the year.
- Overall revenues were \$18.5 million, about \$1.5 million more than expenses.
- The total cost of basic programs was \$17.0 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$13.3 million.
- Governmental funds decreased by \$1.1 million, or 6.9%.
- Reserves for the General Fund increased by \$262,359, or 18.1%. Revenues were \$15.9 million and expenditures were \$14.9 million.

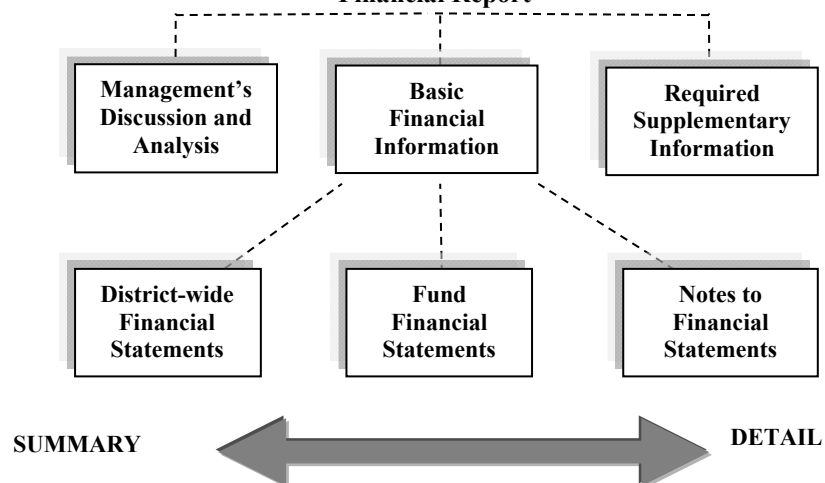
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - The *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

**Figure A-1. Organization of Aromas-San Juan Unified School District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2021*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

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

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- ***Governmental funds*** – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- ***Fiduciary funds*** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include an OPEB Trust Fund.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2021*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2021, than it was the year before – increasing 9.2% to (\$14.5 million) (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2021</b>	<b>2020*</b>	
<b>Assets</b>			
Current assets	\$ 16,400,733	\$ 17,187,927	\$ (787,194)
Capital assets	10,887,096	7,600,261	3,286,835
<b>Total assets</b>	<b>27,287,829</b>	<b>24,788,188</b>	<b>2,499,641</b>
<b>Deferred outflows of resources</b>	<b>5,768,800</b>	<b>5,045,197</b>	<b>723,603</b>
<b>Liabilities</b>			
Current liabilities	1,707,550	1,395,759	311,791
Long-term liabilities	29,260,132	29,270,587	(10,455)
Net pension liability	14,306,048	12,230,578	2,075,470
<b>Total liabilities</b>	<b>45,273,730</b>	<b>42,896,924</b>	<b>2,376,806</b>
<b>Deferred inflows of resources</b>	<b>2,262,915</b>	<b>2,891,401</b>	<b>(628,486)</b>
<b>Net position</b>			
Net investment in capital assets	(5,862,622)	(5,837,958)	(24,664)
Restricted	6,551,800	4,276,091	2,275,709
Unrestricted	(15,169,194)	(14,393,073)	(776,121)
<b>Total net position</b>	<b>\$ (14,480,016)</b>	<b>\$ (15,954,940)</b>	<b>\$ 1,474,924</b>

*\*As restated, refer to Note 12.*

**Changes in net position, governmental activities.** The District's total revenues increased 11.8% to \$18.5 million (See Table A-2). The increase is due primarily to increase in Federal and State categorical funds.

The total cost of all programs and services increased 2.3% to \$17.0 million. The District's expenses are predominantly related to educating and caring for students, 67.0%. The purely administrative activities of the District accounted for just 7.8% of total costs. A significant contributor to the increase in costs was instructional-related expenses.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2021*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 116,603	\$ 492,730	\$ (376,127)
Operating grants and contributions	3,576,010	2,274,441	1,301,569
General Revenues:			
Property taxes	13,225,663	11,603,011	1,622,652
Federal and state aid not restricted	1,419,842	1,952,889	(533,047)
Other general revenues	168,519	225,328	(56,809)
<b>Total Revenues</b>	<b>18,506,637</b>	<b>16,548,399</b>	<b>1,958,238</b>
<b>Expenses</b>			
Instruction-related	10,190,819	9,262,909	927,910
Pupil services	1,222,435	1,633,641	(411,206)
Administration	1,320,688	1,536,024	(215,336)
Plant services	2,067,159	1,977,684	89,475
All other activities	2,230,612	2,233,732	(3,120)
<b>Total Expenses</b>	<b>17,031,713</b>	<b>16,643,990</b>	<b>387,723</b>
Increase (decrease) in net position	\$ 1,474,924	\$ (95,591)	\$ 1,570,515
<b>Total Net Position</b>	<b>\$ (14,480,016)</b>	<b>\$ (15,954,940)</b>	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$14.8 million, which is below last year's ending fund balance of \$15.9 million. The primary cause of the decreased fund balance is related to an increase in capital outlay expenses.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				
	July 1, 2020 *	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2021
General Fund	\$ 5,277,314	\$ 15,907,326	\$ 14,581,149	\$ (354,055)	\$ 6,249,436
Student Activity Fund	50,596	11,840	3,139	-	59,297
Child Development Fund	72,489	345,116	291,967	-	125,638
Cafeteria Fund	88,020	453,972	429,289	-	112,703
Deferred Maintenance Fund	-	-	-	354,055	354,055
Building Fund	4,052,193	15,081	757,944	-	3,309,330
Capital Facilities Fund	1,274,952	53,195	32,670	-	1,295,477
Special Reserve Fund (Capital Outlay)	3,359,669	(6)	2,860,145	-	499,518
Bond Interest and Redemption Fund	1,691,874	2,095,866	1,014,157	-	2,773,583
	<b>\$ 15,867,107</b>	<b>\$ 18,882,390</b>	<b>\$ 19,970,460</b>	<b>\$ -</b>	<b>\$ 14,779,037</b>

\* As restated, refer to Note 12.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2021*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$2.6 million primarily to reflect increased Federal and State revenues.
- Salaries and benefits costs – decreased \$0.2 million due to revised operational cost estimates.
- Books and supplies and other services – increased about \$1.3 million to budget carryover funds.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$0.5 million, the actual results for the year show that revenues exceeded expenditures by roughly \$1.3 million. Actual revenues were \$19,402 less than anticipated, and expenditures were \$0.8 million less than budgeted. That amount consists of primarily of restricted categorical program dollars that were not spent as of June 30, 2021, that will be carried over into the 2021-22 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2020-21 the District had invested \$3.6 million in new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$320,020.

**Table A-4: Capital Assets at Year End, Net of Depreciation**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2021</b>	<b>2020</b>	
Land	\$ 998,300	\$ 998,300	\$ -
Improvement of sites	647,714	175,318	472,396
Buildings	6,046,944	6,169,595	(122,651)
Equipment	132,630	150,934	(18,304)
Construction in progress	3,061,508	106,114	2,955,394
Total	<u>\$ 10,887,096</u>	<u>\$ 7,600,261</u>	<u>\$ 3,286,835</u>

**Long-Term Debt**

At June 30, 2021 the District had \$29.3 million in long-term debt other than pensions – a decrease of 0.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2021*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2021</b>	<b>2020</b>	
General obligation bonds	\$ 24,924,526	\$ 24,686,211	\$ 238,315
Capital lease obligations	-	4,659	(4,659)
Energy conservation equipment lease	3,447,725	3,359,669	88,056
Compensated absences	37,596	44,259	(6,663)
Other postemployment benefits	850,285	1,175,789	(325,504)
Total	<u>\$ 29,260,132</u>	<u>\$ 29,270,587</u>	<u>\$ (10,455)</u>

Net pension liability increased during the year by \$2.1 million.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The State Legislature Passed a Final Budget Package on June 28, 2021. *The final budget package largely reflected the Legislature's approach on State Appropriations Limit (SAL)-related choices and choices to use funding from the American Rescue Plan (ARP) to offset General Fund costs. The budget package assumes that 2021-22 will end with nearly \$21 billion in total reserves. This consists of: (1) \$15.8 billion in the Budget Stabilization Account (BSA), (2) \$4 billion in Special Fund for Economic Uncertainties, and (3) \$900 million in the Safety Net Reserve, which is available for spending on the state's safety net programs, like Medi-Cal. In addition, the Proposition 98 Reserve (dedicated to school and community college spending) would reach \$4.5 billion under the spending plan.*

***Budget Also Commits \$27 Billion in ARP Fiscal Relief Funds***

The ARP included \$350 billion in flexible funding to state and local governments for fiscal recovery in the Coronavirus State Fiscal Recovery Fund. Of this total, California's state government received about \$27 billion. The state has until December 31, 2024 to use the funds for any of the following purposes: (1) to respond to the public health emergency or negative economic impacts associated with the emergency; (2) to support essential work; (3) to backfill a reduction in total revenues that have occurred relative to the pre-pandemic trajectory; or (4) for water, sewer, or broadband infrastructure.

***Significant Increase in School and Community College Funding***

Proposition 98 (1988) established the minimum annual funding level for schools and community colleges. This funding requirement depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2020-21, the minimum requirement is up \$22.5 billion (31.8 percent) compared with the estimates made in June 2020. This increase represents the largest upward revision since the passage of Proposition 98 and is due to higher General Fund revenue estimates. For 2021-22, the minimum requirement increases by an additional \$309 million (0.3 percent) relative to the revised 2020-21 level.

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2021*

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

##### **Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs**

When the minimum funding requirement is growing quickly, the Constitution requires the state to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the June 2021 budget plan, the total required deposit is \$4.5 billion—\$1.9 billion in 2020-21 and \$2.6 billion in 2021-22. The largest discretionary allocation of Proposition 98 funding is \$12.5 billion to pay down the deferrals the state adopted as part of the June 2020 budget plan. Beginning in 2021-22, schools and community colleges will receive all of their funding according to the regular monthly payment schedule. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, these augmentations focus on providing academic support for disadvantaged students, reopening schools and addressing learning loss, enhancing the education workforce, and implementing new curriculum or instructional practices in certain subjects. The community college augmentations focus on increasing the number of full-time faculty, addressing deferred maintenance at campus facilities, and funding basic student needs (including mental health services). The budget also provides a 5.07 percent baseline increase for the primary school and community college funding formulas.

##### **Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten**

Trailer legislation adopted in June 2020 would have required the state to make payments to schools and community colleges on top of the minimum funding requirement beginning in 2021-22. These supplemental payments were intended to accelerate the recovery of school funding from the decline the state anticipated last June. In recognition of the significant revenue increases (and ensuing increases in the guarantee) that have occurred since that time, the June 2021 budget plan repeals these payments. The budget, however, makes another commitment that will increase funding for schools—above the existing minimum requirement—on an ongoing basis. Specifically, it establishes a plan to make all four-year olds eligible for Transitional Kindergarten by 2025-26. (Currently, only children born between September 2 and December 2 are eligible.) The Legislature and the Governor have reached an agreement to cover the associated costs—approximately \$2.7 billion at full implementation—by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

Meanwhile, the new Delta variant continues to wreak havoc on school re-openings throughout California, as infection rates are on the rise. Complicating matters more is the new requirement that quarantined students no longer have the option of distance learning, but must instead be enrolled in independent study. All independent study programs have to demonstrate satisfactory educational progress, provide a plan for synchronous instruction, reflect grade-level standards, develop procedures for re-engaging students who are having trouble participating and provide a plan to transition students back to in-person instruction when their families wish to do so. The trailer bill language also addressed communication with students and families, the requirements of written independent study agreements and resources that must be provided to students. Districts can seek a waiver but only if certain conditions are met.

All of these factors were considered in preparing Aromas-San Juan Unified School District's budget for the 2021-22 fiscal year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Financial Management at Aromas-San Juan Unified School District, (831) 623-4500 or 2300 San Juan Highway, San Juan Bautista, California 95045.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Statement of Net Position**June 30, 2021*

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	Total Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 15,779,591
Accounts receivable	605,780
Inventories	15,362
Capital assets:	
Non-depreciable assets	4,059,808
Depreciable assets	15,896,830
Less accumulated depreciation	<u>(9,069,542)</u>
Total assets	<u>27,287,829</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - OPEB	20,922
Deferred outflows of resources - pensions	4,342,618
Deferred amounts on refunding	<u>1,405,260</u>
Total deferred outflows of resources	<u>5,768,800</u>
 <b>LIABILITIES</b>	
Accounts payable	1,506,851
Unearned revenue	200,699
Long-term liabilities other than pensions:	
Portion due or payable within one year	1,927,707
Portion due or payable after one year	27,332,425
Net pension liability	<u>14,306,048</u>
Total liabilities	<u>45,273,730</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - OPEB	230,865
Deferred inflows of resources - pensions	<u>2,032,050</u>
Total deferred inflows of resources	<u>2,262,915</u>
 <b>NET POSITION</b>	
Net investment in capital assets	(5,862,622)
Restricted for:	
Capital projects	1,794,995
Debt service	2,773,583
Categorical programs	1,983,222
Student activity funds	59,297
Unrestricted	<u>(15,169,194)</u>
Total net position	<u><u>\$ (14,480,016)</u></u>



# **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

## *Statement of Activities*

*For the Fiscal Year Ended June 30, 2021*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instructional Services:				
Instruction	\$ 8,685,203	\$ 2,713	\$ 2,214,349	\$ (6,468,141)
Instruction-Related Services:				
Supervision of instruction	400,297	-	138,524	(261,773)
Instructional library, media and technology	109,707	-	97,176	(12,531)
School site administration	995,612	54	43,929	(951,629)
Pupil Support Services:				
Home-to-school transportation	441,229	-	-	(441,229)
Food services	437,817	12,770	427,979	2,932
All other pupil services	343,389	9	158,230	(185,150)
General Administration Services:				
Data processing services	251,009	-	28,509	(222,500)
Other general administration	1,069,679	694	114,137	(954,848)
Plant Services	2,067,159	99,523	245,357	(1,722,279)
Ancillary Services	30,951	840	13,352	(16,759)
Interest on Long-Term Debt	1,399,762	-	-	(1,399,762)
Other Outgo	479,879	-	94,468	(385,411)
Depreciation (unallocated)	320,020	-	-	(320,020)
Total Governmental Activities	<u>\$ 17,031,713</u>	<u>\$ 116,603</u>	<u>\$ 3,576,010</u>	<u>(13,339,100)</u>
<b>General Revenues:</b>				
Property taxes				13,225,663
Federal and state aid not restricted to specific purpose				1,419,842
Interest and investment earnings				39,883
Interagency revenues				63,606
Miscellaneous				<u>65,030</u>
Total general revenues				<u>14,814,024</u>
Change in net position				<u>1,474,924</u>
Net position - July 1, 2020, as originally stated				(16,005,536)
Adjustment for restatement (Note 12)				<u>50,596</u>
Net position - July 1, 2020, as restated				<u>(15,954,940)</u>
Net position - June 30, 2021				<u>\$ (14,480,016)</u>

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2021*

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Deposits and investments	\$ 7,477,416	\$ 3,427,468	\$ 501,602	\$ 2,773,583	\$ 1,599,522	\$ 15,779,591
Accounts receivable	576,618	-	-	-	29,162	605,780
Stores inventories	-	-	-	-	15,362	15,362
Due from other funds	15,837	-	-	-	-	15,837
Total Assets	<u>\$ 8,069,871</u>	<u>\$ 3,427,468</u>	<u>\$ 501,602</u>	<u>\$ 2,773,583</u>	<u>\$ 1,644,046</u>	<u>\$ 16,416,570</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,265,681	\$ 118,138	\$ 2,084	\$ -	\$ 35,094	\$ 1,420,997
Due to other funds	-	-	-	-	15,837	15,837
Unearned revenue	200,699	-	-	-	-	200,699
Total Liabilities	<u>1,466,380</u>	<u>118,138</u>	<u>2,084</u>	<u>-</u>	<u>50,931</u>	<u>1,637,533</u>
<b>Fund Balances</b>						
Nonspendable	15,000	-	-	-	15,362	30,362
Restricted	1,760,243	3,309,330	499,518	2,773,583	1,577,753	9,920,427
Committed	1,941,000	-	-	-	-	1,941,000
Assigned	1,175,707	-	-	-	-	1,175,707
Unassigned	1,711,541	-	-	-	-	1,711,541
Total Fund Balances	<u>6,603,491</u>	<u>3,309,330</u>	<u>499,518</u>	<u>2,773,583</u>	<u>1,593,115</u>	<u>14,779,037</u>
Total Liabilities and Fund Balances	<u>\$ 8,069,871</u>	<u>\$ 3,427,468</u>	<u>\$ 501,602</u>	<u>\$ 2,773,583</u>	<u>\$ 1,644,046</u>	<u>\$ 16,416,570</u>

# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

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Total fund balances - governmental funds \$ 14,779,037

Amounts reported for governmental *activities* in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is:	19,956,638	
Accumulated depreciation is:	<u>(9,069,542)</u>	
Capital assets, net of depreciation		10,887,096

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.

The additional liability for unmatured interest owing at the end of the period was: (85,854)

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

General Obligation Bonds Payable	24,924,526	
Energy Conservation Equipment Lease	3,447,725	
Compensated Absences	37,596	
Other Postemployment Benefits	<u>850,285</u>	
		(29,260,132)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.

(14,306,048)

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

Deferred outflows of resources relating to OPEB	20,922
Deferred inflows of resources relating to OPEB	(230,865)

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

Deferred outflows of resources relating to pensions	4,342,618
Deferred inflows of resources relating to pensions	(2,032,050)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:

1,405,260

Total net position - governmental activities \$ (14,480,016)

# **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

## *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2021*

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 12,351,234	\$ -	\$ -	\$ -	\$ -	\$ 12,351,234
Federal sources	1,393,449	-	-	-	440,357	1,833,806
Other state sources	1,406,895	-	-	10,531	344,381	1,761,807
Other local sources	755,748	15,081	(6)	2,085,335	79,385	2,935,543
<b>Total Revenues</b>	<b>15,907,326</b>	<b>15,081</b>	<b>(6)</b>	<b>2,095,866</b>	<b>864,123</b>	<b>18,882,390</b>
<b>EXPENDITURES</b>						
Current:						
Instructional Services:						
Instruction	8,711,077	-	-	-	241,904	8,952,981
Instruction-Related Services:						
Supervision of instruction	395,123	-	-	-	-	395,123
Instructional library, media and technology	102,134	-	-	-	-	102,134
School site administration	971,438	-	-	-	14,370	985,808
Pupil Support Services:						
Home-to-school transportation	413,364	-	-	-	-	413,364
Food services	5,285	-	-	-	411,959	417,244
All other pupil services	349,768	-	-	-	-	349,768
Ancillary Services	27,603	-	-	-	3,139	30,742
General Administration Services:						
Data processing services	240,841	-	-	-	-	240,841
Other general administration	972,242	-	-	-	35,265	1,007,507
Plant Services	1,793,040	53,018	-	-	19,263	1,865,321
Capital Outlay	114,447	704,926	2,860,145	-	31,165	3,710,683
Intergovernmental Transfers	479,879	-	-	-	-	479,879
Debt Service:						
Principal	4,659	-	-	815,000	-	819,659
Interest	249	-	-	199,157	-	199,406
<b>Total Expenditures</b>	<b>14,581,149</b>	<b>757,944</b>	<b>2,860,145</b>	<b>1,014,157</b>	<b>757,065</b>	<b>19,970,460</b>
<b>Net Change in Fund Balances</b>	<b>1,326,177</b>	<b>(742,863)</b>	<b>(2,860,151)</b>	<b>1,081,709</b>	<b>107,058</b>	<b>(1,088,070)</b>
Fund Balances, July 1, 2020, as originally stated	5,277,314	4,052,193	3,359,669	1,691,874	1,435,461	15,816,511
Adjustment for restatement (Note 12)	-	-	-	-	50,596	50,596
Fund Balances, July 1, 2020, as restated	5,277,314	4,052,193	3,359,669	1,691,874	1,486,057	15,867,107
Fund Balances, June 30, 2021	\$ 6,603,491	\$ 3,309,330	\$ 499,518	\$ 2,773,583	\$ 1,593,115	\$ 14,779,037

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

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

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**Total net change in fund balances - governmental funds** \$ (1,088,070)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	3,606,855	
Depreciation expense	<u>(320,020)</u>	3,286,835

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 819,659

In governmental funds, proceeds from capital leases are recognized as other financing sources. In the government-wide statements, proceeds from capital leases and general obligation bonds are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from capital leases and general obligation bonds were: (88,056)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is: (48,319)

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 44,546

In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 59,430

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (394,103)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,112,745)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (10,916)

In the statement of activities, compensated absences 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*). Amounts earned exceeded the amounts paid by: 6,663

**Change in net position of governmental activities** \$ 1,474,924

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2021*

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	Trust Fund
	Retiree
	Benefits Trust
ASSETS	
Deposits and investments	\$ 749,978
Total Assets	749,978
NET POSITION	
Restricted for other postemployment benefits	\$ 749,978

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Statement of Changes in Fiduciary Net Position**June 30, 2021*

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	Trust Fund Retiree Benefits Trust
<b>ADDITIONS</b>	
Investment income:	
Return on investment	\$ 185,020
Total additions	185,020
<b>DEDUCTIONS</b>	
Benefit distributions	120,642
Administrative expenses	716
Total Deductions	121,358
<b>Net increase (decrease)</b>	63,662
<b>Net position restricted for     other postemployment benefits</b>	
Beginning of year, July 1, 2020	686,316
End of year, June 30, 2021	\$ 749,978

# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aromas-San Juan Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### A. Reporting Entity

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

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.

The District has identified no organizations that are required to be reported as component units.

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

###### Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.



# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation (continued)

###### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund for deferred maintenance purposes. Because the fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

**Building Fund:** This 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.

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

###### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

**Special Revenue Funds:** Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, 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 District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Non-Major Governmental Funds

**Capital Projects Funds:** Capital projects funds are established 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:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

###### Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or custodial capacity for others that cannot be used to support the District's own programs. The key distinction between trust and custodial funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

**Trust Fund:** The District maintains a Retiree Benefits Trust Fund. The fund is used to accumulate resources for the payment of future retiree health and welfare benefits.

##### 2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2021*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **B. Basis of Presentation, Basis of Accounting (continued)**

###### **3. 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. Generally, available is defined as collectible within 60 days.

However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

##### **C. Budgetary Data**

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

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

##### **D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

##### **E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

###### **1. Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### 3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	2-15 years

##### 4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

##### 5. Deferred Outflows/Inflows of Resources

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

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

##### 6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2021*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 7. 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 CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

###### 8. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

###### 9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2021*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### F. Minimum Fund Balance Policy

Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriate by resolution of the Board of Trustees.

Fund Balance of the District may be committed for specific source by formal action of the Board of Trustees. Amendments or modification to the committee fund balance must also be approved by formal action of the Board of Trustees. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

The Board of Trustees delegates' authority to assign fund balances for a specific purpose (i.e., grant projects not completed at year end, to the Business Manager of the District).

For purposes of fund balance classification, expenditures are to be spent from restricted fund balances first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance.

The Board of Trustees recognizes that good fiscal management comprises the foundation support of the entire District. To make that support as effective as possible, the Board intends to maintain a minimum fund balance of 17% by Board Policy of the District's general fund annual operating expenditures.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

##### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

##### I. New GASB Pronouncements

The following Statements have been implemented as of June 30, 2021:

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

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

2. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### J. Future Accounting Pronouncements

GASB pronouncements which will be effective in future periods, are as follows:

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.



## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### J. Future Accounting Pronouncements (continued)

4. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:
- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
  - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
  - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
  - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
  - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
  - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
  - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
  - Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

Earlier application is encouraged and is permitted by topic.

5. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021,

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### J. Future Accounting Pronouncements (continued)

5. (continued)

prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

6. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

#### NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds/activities	\$ 15,779,591
Fiduciary funds	<u>749,978</u>
Total deposits and investments	<u><u>\$ 16,529,569</u></u>

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

Cash on hand and in banks	\$ 5,000
Cash in revolving fund	15,000
Cash with fiscal agent	3,285,155
Investments	<u>13,224,414</u>
Total deposits and investments	<u><u>\$ 16,529,569</u></u>

##### Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly to participating funds. Any investment losses are proportionately shared by all funds in the pool.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

##### Pooled Funds (continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2021, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2021, \$261,565 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

##### Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

Maturities of investments held at June 30, 2021, consisted of the following:

	Reported Amount	Maturity		Fair Value Measurement
		Less Than One Year	One Year Through Five Years	
Investments:				
County investment pool	\$ 12,474,436	\$ 12,474,436	\$ -	Uncategorized Level 2
SISC OPEB trust	749,978	749,978	-	
Total Investments	<u>\$ 13,224,414</u>	<u>\$ 13,224,414</u>	<u>\$ -</u>	

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2021*

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#### **NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

##### **Investments - Credit Risk**

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2021, all investments represented governmental securities which were held in the trust in the District's name.

##### **Investments - Concentration of Credit Risk**

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had no investments outside of the County treasury and SISC OPEB trust pools.

##### **Fair Value Measurements**

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

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

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

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

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

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

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021*

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**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	Governmental Funds/Activities		
	General Fund	Non-Major Governmental Funds	Totals
Federal Government:			
Categorical aid programs	\$ 289,220	\$ 23,311	\$ 312,531
State Government:			
Lottery	72,417	-	72,417
Other state resources	141,443	5,851	147,294
Local:			
Interest	18,227	-	18,227
Other local resources	55,311	-	55,311
Total	<u>\$ 576,618</u>	<u>\$ 29,162</u>	<u>\$ 605,780</u>

**NOTE 4 – INTERFUND TRANSACTIONS****A. Balances Due To/From Other Funds**

Balances due/to other funds at June 30, 2021, consisted of the following:

Child Development Fund due to General Fund for a contribution to cover operating expenses	<u>\$ 15,837</u>
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During the fiscal year end at June 30, 2021, the District transferred \$354,055 from the General Fund to the Deferred Maintenance Fund. Because the Deferred Maintenance Fund is combined with the General Fund on these financial statements, the interfund transfer and receivables/payables have been eliminated.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2021*

**NOTE 5 – FUND BALANCES**

At June 30, 2021, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Stores inventories	-	-	-	-	15,362	15,362
Total Nonspendable	15,000	-	-	-	15,362	30,362
Restricted:						
Categorical programs	1,760,243	-	-	-	125,638	1,885,881
Nutrition program	-	-	-	-	97,341	97,341
Capital projects	-	3,309,330	499,518	-	1,295,477	5,104,325
Debt service	-	-	-	2,773,583	-	2,773,583
Associated student activity	-	-	-	-	59,297	59,297
Total Restricted	1,760,243	3,309,330	499,518	2,773,583	1,577,753	9,920,427
Committed:						
Board reserve	896,000	-	-	-	-	896,000
Special education reserve	200,000	-	-	-	-	200,000
Community funded reserve	845,000	-	-	-	-	845,000
Total Committed	1,941,000	-	-	-	-	1,941,000
Assigned:						
Maintenance & repairs	354,055	-	-	-	-	354,055
Health and safety	100,000	-	-	-	-	100,000
Textbooks/Technology	412,000	-	-	-	-	412,000
Lottery	309,652	-	-	-	-	309,652
Total Assigned	1,175,707	-	-	-	-	1,175,707
Unassigned:						
Reserve for economic uncertainties	598,000	-	-	-	-	598,000
Remaining unassigned balances	1,113,541	-	-	-	-	1,113,541
Total Unassigned	1,711,541	-	-	-	-	1,711,541
Total	\$ 6,603,491	\$ 3,309,330	\$ 499,518	\$ 2,773,583	\$ 1,593,115	\$ 14,779,037

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2020	Additions	Decreases	Balance, June 30, 2021
Capital assets not being depreciated:				
Land	\$ 998,300	\$ -	\$ -	\$ 998,300
Work in progress	106,114	2,955,394	-	3,061,508
Total capital assets not being depreciated	1,104,414	2,955,394	-	4,059,808
Capital assets being depreciated:				
Land Improvements	243,418	513,313	-	756,731
Buildings & Improvements	14,571,890	123,839	236,646	14,459,083
Equipment	666,707	14,309	-	681,016
Total capital assets being depreciated	15,482,015	651,461	236,646	15,896,830
Accumulated depreciation for:				
Land Improvements	(68,100)	(40,917)	-	(109,017)
Buildings & Improvements	(8,402,295)	(246,490)	(236,646)	(8,412,139)
Equipment	(515,773)	(32,613)	-	(548,386)
Total accumulated depreciation	(8,986,168)	(320,020)	(236,646)	(9,069,542)
Total capital assets being depreciated, net	6,495,847	331,441	-	6,827,288
Governmental activity capital assets, net	\$ 7,600,261	\$ 3,286,835	\$ -	\$ 10,887,096

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2021*

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**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS**

Changes in long-term debt for the year ended June 30, 2021, were as follows:

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 17,056,896	\$ -	\$ 815,000	\$ 16,241,896	\$ 1,750,000
Accreted Interest	7,200,458	1,112,745	-	8,313,203	-
Issuance Premium	428,857	-	59,430	369,427	59,429
<i>Sub-total General Obligation Bonds</i>	<u>24,686,211</u>	<u>1,112,745</u>	<u>874,430</u>	<u>24,924,526</u>	<u>1,809,429</u>
Capital Lease Obligations	4,659	-	4,659	-	-
Energy Conservation Equipment Lease	3,359,669	88,056	-	3,447,725	118,278
Compensated Absences	44,259	-	6,663	37,596	-
Other Postemployment Benefits	1,175,789	168,195	493,699	850,285	-
<b>Totals</b>	<u>\$ 29,270,587</u>	<u>\$ 1,368,996</u>	<u>\$ 1,379,451</u>	<u>\$ 29,260,132</u>	<u>\$ 1,927,707</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences and other postemployment benefits will be paid for by the fund for which the employee worked. Payments for the energy conservation equipment lease and capital leases are paid for by the General Fund.

**A. General Obligation Bonds**

The District has issued general obligation bonds under different voter-approved measures, as described below. Bonds are payable solely from ad valorem taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors of the County is empowered and is obligated to levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds.

**Election of 2002 (Measure S)**

On July 30, 2002, General Obligation Bonds (Election of 2002, Series A) in the amount of \$11,199,046 were authorized at an election of the registered voters of the District. The Bonds were issued as Current Interest Bonds in the amount of \$9,635,000 and Capital Appreciation Bonds in the amount of \$1,564,046. During the 2011-12 fiscal year, the remaining Current Interest Bonds were redeemed. The Capital Appreciation Bonds maturing August 1, 2024 to July 1, 2027, are dated the date of delivery of the Bonds and accreted interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2002. The proceeds of the Bonds were used to fund the construction, renovation and repair of certain District facilities and to refinance certain of the District's outstanding indebtedness.

**Election of 2010 (Measure Z)**

On November 2, 2010, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue \$9.7 million of general obligation bonds. The Bonds were issued to finance the acquisition, construction, modernization and equipping of District school sites and facilities, currently refund the District's outstanding 2009 Refunding Certificates of Participation, and to pay costs of issuance associated with the Bonds.

**Election of 2020 (Measure M)**

On March 3, 2020, the voters of the District approved a measure by more than a 55% affirmative vote re-authorizing the District to issue \$4.2 million of general obligation bonds. The Bonds were issued to finance construction, reconstruction, rehabilitation, or replacement of school facilities that are specified on a District-approved bond project list.

# **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2021*

### **NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

#### **A. General Obligation Bonds (continued)**

##### **Prior-Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$1,588,023 of bonds outstanding are considered defeased.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2021, deferred amounts on refunding were \$1,405,260.

A summary of bonds issued and outstanding at June 30 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021
<b>Election of 2002 (Measure S)</b>								
Series A	7/30/2002	7/1/2027	3.25%-5.50%	\$ 11,199,046	\$ 1,564,046	\$ -	\$ -	\$ 1,564,046
<b>Election of 2010 (Measure Z)</b>								
Series A	3/2/2011	8/1/2050	7.43%-8.50%	-	411,055	-	-	411,055
Series B	1/10/2013	8/1/2052	4.66%-5.25%	3,499,498	3,499,498	-	-	3,499,498
<b>Election of 2020 (Measure M)</b>								
Series A	6/23/2020	8/1/2029	1.40%	4,200,000	4,200,000	-	-	4,200,000
<b>Refunding Bonds</b>								
2011 Ref.	8/1/2011	8/1/2023	2.0%-5.0%	8,100,000	3,800,000	-	815,000	2,985,000
2016 Ref.	3/31/2016	8/1/2050	4.03%-5.29%	3,582,297	3,582,297	-	-	3,582,297
<b>Totals</b>					<b>\$ 17,056,896</b>	<b>\$ -</b>	<b>\$ 815,000</b>	<b>\$ 16,241,896</b>

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021
<b>Accreted Interest</b>				
2002 A	\$ 2,587,883	\$ 236,697	\$ -	\$ 2,824,580
2010 A	2,297,854	387,567	-	2,685,421
2010 B	1,623,469	287,021	-	1,910,490
2016 Ref.	691,252	201,460	-	892,712
<b>Totals</b>	<b>\$ 7,200,458</b>	<b>\$ 1,112,745</b>	<b>\$ -</b>	<b>\$ 8,313,203</b>

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

Fiscal Year	Principal	Interest	Total
2021-2022	\$ 1,750,000	\$ 178,600	\$ 1,928,600
2022-2023	1,875,000	120,205	1,995,205
2023-2024	1,580,000	58,490	1,638,490
2024-2025	741,014	964,291	1,705,305
2025-2026	717,627	1,032,988	1,750,615
2026-2031	2,652,460	4,740,060	7,392,520
2031-2036	1,296,838	2,628,749	3,925,587
2036-2041	1,310,082	2,267,818	3,577,900
2041-2046	1,410,150	3,318,199	4,728,349
2046-2051	1,556,847	4,604,580	6,161,427
2051-2053	1,351,878	2,373,122	3,725,000
<b>Totals</b>	<b>\$ 16,241,896</b>	<b>\$ 22,287,102</b>	<b>\$ 38,528,998</b>



## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

##### B. Energy Conservation Equipment Lease

On June 30, 2020, the District entered into an agreement with Banc of America Public Capital Corp, which qualifies as private placement debt in the amount of \$3,359,669. The agreement is structured as a non-bank qualified tax-exempt equipment lease-purchase agreement. The lessor is entitled to assign its right, title, and interest or any part thereof in the agreement and equipment, on a private placement basis to qualified purchasers.

The purpose of the lease is for the installation of energy conservation measures such as HVAC upgrades, programmable thermostat upgrades, solar generating facilities, and well pump resilience. Under the lease, the District will make monthly payments through December 30, 2036.

The annual lease payment requirements outstanding at June 30, 2021 were as follows:

Fiscal Year	Principal	Interest	Total
2021-2022	\$ 118,278	\$ 87,899	\$ 206,177
2022-2023	128,896	84,710	213,606
2023-2024	140,078	81,239	221,317
2024-2025	151,851	77,472	229,323
2025-2026	164,242	73,393	237,635
2026-2031	999,243	295,604	1,294,847
2031-2036	1,413,393	140,921	1,554,314
2036-2037	331,744	2,510	334,254
Totals	\$ 3,447,725	\$ 843,748	\$ 4,291,472

##### C. 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:

Pension Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 791,304	\$ 20,922	\$ 230,865	\$ 101,376
MPP Program	58,981	-	-	12,970
Total	\$ 850,285	\$ 20,922	\$ 230,865	\$ 114,346

The details of each plan are as follows:

##### District Plan

The District's single employer defined benefit plan provides OPEB for eligible certificated, classified, and management employees of the District. The District joined the SISC GASB 75 Trust (the "Trust"), a multiple employer agent plan, to pre-fund these other post-employment benefits ("OPEB") liabilities. The Trust is an irrevocable trust under the law of the State of California and a tax-exempt governmental trust under the Internal Revenue Code Section 115. The Trust funds are divided into individual employer accounts for each participating employer, which may be pooled for investment purposes. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

##### D. Other Postemployment Benefits (OPEB) Liability (continued)

###### District Plan (continued)

###### **Benefits provided**

The postretirement health plans and the District's obligation vary by employee group as described below.

	<b>Certificated</b>	<b>Classified</b>
Benefit types provided	Medical, Dental, & Vision	Medical, Dental, & Vision
Duration of benefits	To age 65	To age 65
Required service	10 years*	10 years
Minimum age	Age 60*	Age 60
Dependent coverage	Yes	Yes
District contribution %	100% to benefit cap	100% to benefit cap
District cap	\$0	\$0

\* For certificated units members who have worked for the District for 10 years as of July 1, 2004, benefits are offered according to the "rule of 75" schedule with a minimum age of 55.

###### **Employees covered by benefit terms**

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	95
Total	105

###### **Contributions**

The District has established an OPEB trust with SISC. The District disburses benefit payments from the trust and in 2019-2020, contributed \$474,182 to the trust. Employees are not required to contribute to the trust.

###### **Net OPEB Liability**

The District's 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.

###### **Actuarial assumptions and other inputs**

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

Valuation Date	June 30, 2019
Inflation	2.75%
Salary increases	2.75%
Healthcare cost trend rates	4.00%

# AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2021

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### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

#### D. Other Postemployment Benefits (OPEB) Liability (continued)

##### District Plan (continued)

##### ***Mortality Rates***

The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS and the 2017 CalPERS Mortality for Miscellaneous and Schools Employees and All Employees tables created by CalPERS. CalSTRS and CalPERS periodically study mortality for participating agencies and establish mortality tables that are modified versions of commonly used tables. These tables incorporate mortality projection as deemed appropriate based on analysis.

##### ***Long-Term Expected Rate of Return on OPEB Plan Investments***

The actuary looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. They used geometric means. Following is the assumed asset allocation and assumed rate of return for each.

Asset Class	Assumed Asset Allocation	Real Rate of Return
U.S. Large Cap	40%	7.795%
U.S. Small Cap	20%	7.795%
Long-Term Corporate Bonds	25%	5.295%
Long-Term Government Bonds	10%	4.500%
Short-Term Government Fixed	5%	3.250%

##### ***Discount Rate***

GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return on Investments	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
June 30, 2020	June 30, 2020	5.50%	3.62%	5.50%
June 30, 2021	June 30, 2021	5.50%	3.62%	5.50%

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021***NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)****D. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)****Changes in the Net OPEB Liability**

	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at July 1, 2020</b>	<b>\$ 1,451,755</b>	<b>\$ 321,977</b>	<b>\$ 1,129,778</b>
<b>Changes for the year:</b>			
Service cost	77,963	-	77,963
Interest	78,402	1,533	76,869
Employer contributions	-	474,182	(474,182)
Differences between expected and actual experience	(19,517)	-	(19,517)
Administrative expenses	-	(393)	393
Benefit payments	(110,983)	(110,983)	-
Net changes	25,865	364,339	(338,474)
<b>Balance at June 30, 2021</b>	<b>\$ 1,477,620</b>	<b>\$ 686,316</b>	<b>\$ 791,304</b>

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

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

<b>Discount Rate</b>	<b>OPEB Liability</b>
1% decrease	\$ 872,963
Current discount rate	\$ 791,304
1% increase	\$ 714,487

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

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

<b>Healthcare Cost Trend Rate</b>	<b>OPEB Liability</b>
1% decrease	\$ 668,145
Current trend rate	\$ 791,304
1% increase	\$ 932,577

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021*

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**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)****D. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)*****OPEB Expense and 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 \$101,376. In addition, at June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 95,780
Changes of assumptions	-	129,120
Net difference between projected and actual earnings on OPEB plan investments	20,922	5,965
Totals	<u>\$ 20,922</u>	<u>\$ 230,865</u>

The deferred outflows and inflows of resources related to OPEB resulting from differences between projected and actual return on assets will be amortized over 5 years. The deferred inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability 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 current measurement period is 11.9 years.

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 5,231	\$ 32,929
2023	5,231	31,110
2024	5,231	29,664
2025	5,229	29,246
2026	-	29,246
Thereafter	-	78,670
Totals	<u>\$ 20,922</u>	<u>\$ 230,865</u>

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

##### D. Other Postemployment Benefits (OPEB) Liability (continued)

###### Medicare Premium Payment (MPP) Program

###### *Plan Description*

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

###### *Benefits Provided*

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2020, 5,443 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 25930, contributions that would otherwise be credited to the Defined Benefit 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.

###### *Total OPEB Liability*

At June 30, 2021, the District reported a liability of \$58,981 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2020, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Proportion of the Net OPEB Liability	0.013918%	0.012355%	0.001562%

For the year ended June 30, 2021, the District reported OPEB expense of \$12,970.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

##### D. Other Postemployment Benefits (OPEB) Liability (continued)

###### Medicare Premium Payment (MPP) Program (continued)

###### *Actuarial Assumptions and Other Inputs*

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

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

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

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

###### *Discount Rate*

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

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

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021***NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)****D. Other Postemployment Benefits (OPEB) Liability (continued)****Medicare Premium Payment (MPP) Program (continued)*****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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	MPP OPEB Liability
1% decrease	\$ 65,220
Current discount rate	\$ 58,981
1% increase	\$ 53,672

***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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 53,480
Current trend rate	\$ 58,981
1% increase	\$ 65,313

**NOTE 8 – PENSION PLANS**

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

For the fiscal year ended June 30, 2021, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 8,899,648	\$ 3,148,323	\$ 1,552,057	\$ 934,980
CalPERS	5,406,400	1,194,295	479,993	831,829
Total	<u>\$ 14,306,048</u>	<u>\$ 4,342,618</u>	<u>\$ 2,032,050</u>	<u>\$ 1,766,809</u>



## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

##### A. 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: <https://www.calstrs.com/general-information/gasb-6768>.

###### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% 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 non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

###### Benefits Provided (continued)

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		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.15%	16.15%
Required State Contribution Rate	10.328%	10.328%

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

#### NOTE 8 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

###### 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 June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The contribution rates for each program for the year ended June 30, 2021, are presented above, and the District's total contributions were \$728,443.

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

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

District's proportionate share of net pension liability	\$	8,899,648
State's proportionate share of the net pension liability associated with the District		<u>4,587,770</u>
Total	\$	<u>13,487,418</u>

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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
	June 30, 2020	June 30, 2019	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.009184%	0.007994%	0.001189%

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021***NOTE 8 – PENSION PLANS (continued)****A. California State Teachers' Retirement System (CalSTRS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2021, the District recognized pension expense of \$934,980. In addition, the District recognized pension expense and revenue of \$143,442 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	\$ 728,443	\$ -
Net change in proportionate share of net pension liability	1,195,810	1,171,952
Difference between projected and actual earnings on pension plan investments	340,525	129,120
Changes of assumptions	867,842	-
Differences between expected and actual experience	15,703	250,985
Total	<u>\$ 3,148,323</u>	<u>\$ 1,552,057</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The 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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 459,908	\$ 555,783
2023	531,906	409,031
2024	603,997	289,288
2025	322,431	189,174
2026	197,718	66,604
Thereafter	303,920	42,177
Total	<u>\$ 2,419,880</u>	<u>\$ 1,552,057</u>

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 8 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

###### Actuarial Methods and Assumptions

The total pension liability for the STRP 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. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of 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 our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.8%
Fixed Income	15%	3.6%
Real Estate	13%	6.3%
Private Equity	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	(0.4%)

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 8 – PENSION PLANS (continued)

##### A. California State Teachers' Retirement System (CalSTRS) (continued)

###### Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those 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 the 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%)	\$ 13,446,129
Current discount rate (7.10%)	8,899,648
1% increase (8.10%)	5,145,888

###### 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 pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$519,214.

###### Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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 Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 8 – PENSION PLANS (continued)

##### B. California Public Employees Retirement System (CalPERS)

###### 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:

	Schools Pool (CalPERS)	
	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	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	20.70%	20.70%

###### Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a 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 \$500,821.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021*

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**NOTE 8 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS)****Pension Liabilities, Pension Expense, and 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 \$5,406,400. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.017620%	0.017193%	0.000428%

For the year ended June 30, 2021, the District recognized pension expense of \$831,829. 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	\$ 500,821	\$ -
Net change in proportionate share of net pension liability	157,821	344,850
Difference between projected and actual earnings on pension plan investments	247,687	135,143
Changes of assumptions	19,825	-
Differences between expected and actual experience	268,141	-
Total	<u>\$ 1,194,295</u>	<u>\$ 479,993</u>

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2021*

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**NOTE 8 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The 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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 320,356	\$ 225,803
2023	171,878	146,121
2024	117,774	98,244
2025	80,764	9,825
2026	2,702	-
Thereafter	-	-
Total	<u>\$ 693,474</u>	<u>\$ 479,993</u>

**Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a 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
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.



## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2021

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#### NOTE 8 – PENSION PLANS (continued)

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

###### Actuarial Methods and Assumptions (continued)

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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the 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.

###### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the 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%)	\$ 7,772,686
Current discount rate (7.15%)	5,406,400
1% increase (8.15%)	3,442,501

##### C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

##### D. Payables to the Pension Plans

At June 30, 2021, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2021.

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2021*

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#### **NOTE 9 – JOINT POWERS AGREEMENTS**

The District is a member of the Santa Cruz/San Benito County Schools Insurance Group (SCSBCSIG), Self- Insured Schools of California (SISC), and the Monterey-San Benito Counties Property & Liability (MSBJPA) public entity risk pools. The District pays an annual premium to each entity for its worker's compensation, health, and property liability coverage. The relationships between the District and the JPA's are such that the JPA's are not component units of the District for financial reporting purposes.

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

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

##### **B. Construction Commitments**

As of June 30, 2021, the District had commitments with respect to unfinished capital projects of \$1.1 million.

##### **C. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2021.

#### **NOTE 11 – RISK MANAGEMENT**

##### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. During fiscal year ending June 30, 2021, the District is a member of the Monterey-San Benito Counties Property and Liability JPA which participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage above the self-insured retention amounts of \$25,000 for liability claims and \$10,000 for property claims. Settled claims have not exceeded this commercial 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 2020-21, the District participated in the Santa Cruz/San Benito County Schools Insurance Group (SCSBCSIG), an insurance purchasing pool. The intent of SCSBCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping representation with other participants in SCSBCSIG.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SCSBCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund."

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2021*

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#### **NOTE 11 – RISK MANAGEMENT (continued)**

##### **Workers' Compensation (continued)**

This “equity pooling” arrangement insures that each participant shares equally in the overall performance of SCSBCSIG. Participation in SCSBCSIG is limited to districts that can meet SCSBCSIG selection criteria. The firm of Keenan and Associates provides administrative, costs control and actuarial services to the insurance group.

##### **Employee Medical Benefits**

The District has contracted with the Self Insured Schools of California (SISC) to provide employee medical and surgical benefits for all employees. The entity is a shared risk pool comprised of school districts throughout the state. Rates are set through an annual calculation process. The District pays a monthly contribution to the entity, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

#### **NOTE 12 – ADJUSTMENTS FOR RESTATEMENT**

The result of the implementation of GASB 84 was to increase beginning fund balance on the statement of revenues, expenditures and changes in fund balance and the beginning net position on the statement of activities at July 1, 2020, by \$50,596, which is the amount previously recorded as due to student groups in fiduciary funds at July 1, 2020.

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*Required Supplementary Information*

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**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2021*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Pos (Neg)</b>
<b>Revenues</b>				
LCFF Sources	\$ 11,769,303	\$ 12,317,057	\$ 12,351,234	\$ 34,177
Federal Sources	434,978	1,680,932	1,393,449	(287,483)
Other State Sources	699,726	1,229,306	1,406,895	177,589
Other Local Sources	407,331	699,433	755,748	56,315
<b>Total Revenues</b>	<b>13,311,338</b>	<b>15,926,728</b>	<b>15,907,326</b>	<b>(19,402)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	5,046,013	4,789,761	4,758,599	31,162
Classified Salaries	2,282,235	2,253,935	2,208,780	45,155
Employee Benefits	3,743,834	3,811,106	3,883,739	(72,633)
Books and Supplies	659,773	1,461,179	1,035,485	425,694
Services and Other Operating Expenditures	1,604,061	2,150,797	2,116,268	34,529
Capital Outlay	30,000	128,755	128,756	(1)
Other Outgo	613,500	792,351	484,787	307,564
Indirect Costs	-	-	(35,265)	35,265
<b>Total Expenditures</b>	<b>13,979,416</b>	<b>15,387,884</b>	<b>14,581,149</b>	<b>806,735</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(668,078)	538,844	1,326,177	787,333
<b>Other Financing Sources and Uses</b>				
Interfund Transfers Out	-	-	(354,055)	(354,055)
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>(354,055)</b>	<b>(354,055)</b>
<b>Net Changes in Fund Balances</b>	<b>(668,078)</b>	<b>538,844</b>	<b>972,122</b>	<b>433,278</b>
Fund Balances, July 1, 2020	4,351,469	5,277,314	5,277,314	-
Fund Balances, June 30, 2021	<u>\$ 3,683,391</u>	<u>\$ 5,816,158</u>	<u>\$ 6,249,436</u>	<u>\$ 433,278</u>
<b>Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>				
Deferred Maintenance Fund			354,055	
<b>Reported General Fund Balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<u>\$ 6,603,491</u>	

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2021*

	<i>Last Ten Fiscal Years*</i>						
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<b>CalSTRS</b>							
District's proportion of the net pension liability	0.0092%	0.0080%	0.0082%	0.0079%	0.0090%	0.0100%	0.0110%
District's proportionate share of the net pension liability	\$ 8,899,648	\$ 7,219,939	\$ 7,559,658	\$ 7,298,178	\$ 7,279,290	\$ 6,732,400	\$ 6,428,070
State's proportionate share of the net pension liability associated with the District	4,587,770	3,938,959	4,328,258	4,317,540	4,144,580	3,560,688	3,881,585
Totals	<u>\$ 13,487,418</u>	<u>\$ 11,158,898</u>	<u>\$ 11,887,916</u>	<u>\$ 11,615,718</u>	<u>\$ 11,423,870</u>	<u>\$ 10,293,088</u>	<u>\$ 10,309,655</u>
District's covered-employee payroll	<u>\$ 4,873,749</u>	<u>\$ 4,418,133</u>	<u>\$ 4,323,112</u>	<u>\$ 4,190,954</u>	<u>\$ 4,455,965</u>	<u>\$ 4,440,214</u>	<u>\$ 5,698,824</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.60%	163.42%	174.87%	174.14%	163.36%	151.62%	112.80%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
<b>CalPERS</b>							
District's proportion of the net pension liability	0.0176%	0.0172%	0.0190%	0.0194%	0.0183%	0.0193%	0.0196%
District's proportionate share of the net pension liability	<u>\$ 5,406,400</u>	<u>\$ 5,010,639</u>	<u>\$ 5,071,492</u>	<u>\$ 4,642,051</u>	<u>\$ 3,614,261</u>	<u>\$ 1,884,173</u>	<u>\$ 2,172,391</u>
District's covered-employee payroll	<u>\$ 2,601,760</u>	<u>\$ 2,387,366</u>	<u>\$ 2,571,161</u>	<u>\$ 2,512,104</u>	<u>\$ 2,264,455</u>	<u>\$ 1,250,064</u>	<u>\$ 1,109,850</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.80%	209.88%	197.25%	184.79%	159.61%	150.73%	195.74%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.



**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2021*

<i>Last Ten Fiscal Years*</i>							
	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>CalSTRS</b>							
Contractually required contribution	\$ 728,443	\$ 833,411	\$ 719,272	\$ 623,825	\$ 527,222	\$ 478,125	\$ 394,291
Contributions in relation to the contractually required contribution	<u>728,443</u>	<u>833,411</u>	<u>719,272</u>	<u>623,825</u>	<u>527,222</u>	<u>478,125</u>	<u>394,291</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 4,510,480</u>	<u>\$ 4,873,751</u>	<u>\$ 4,418,130</u>	<u>\$ 4,323,112</u>	<u>\$ 4,190,954</u>	<u>\$ 4,455,965</u>	<u>\$ 4,440,214</u>
Contributions as a percentage of covered-employee 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	\$ 500,821	\$ 513,093	\$ 431,206	\$ 399,327	\$ 348,881	\$ 268,270	\$ 147,145
Contributions in relation to the contractually required contribution	<u>500,821</u>	<u>513,093</u>	<u>431,206</u>	<u>399,327</u>	<u>348,881</u>	<u>268,270</u>	<u>147,145</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 2,419,425</u>	<u>\$ 2,601,760</u>	<u>\$ 2,387,364</u>	<u>\$ 2,571,161</u>	<u>\$ 2,512,104</u>	<u>\$ 2,264,455</u>	<u>\$ 1,250,064</u>
Contributions as a percentage of covered-employee payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

# **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

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

*For the Fiscal Year Ended June 30, 2021*

	Last 10 Fiscal Years*			
	2019-20	2018-19	2017-18	2016-17
<b>Total OPEB liability</b>				
Service cost	\$ 77,963	\$ 95,582	\$ 92,798	\$ 90,095
Interest	78,402	87,608	82,611	80,063
Differences between expected and actual experience	(19,517)	(98,680)	-	-
Changes of assumptions or other inputs	-	(163,554)	-	-
Benefit payments	(110,983)	(86,145)	(119,386)	(128,130)
<b>Net change in total OPEB liability</b>	25,865	(165,189)	56,023	42,028
<b>Total OPEB liability - beginning</b>	1,451,755	1,616,944	1,560,921	1,518,893
<b>Total OPEB liability - ending</b>	<u>\$ 1,477,620</u>	<u>\$ 1,451,755</u>	<u>\$ 1,616,944</u>	<u>\$ 1,560,921</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 474,182	\$ 78,614	\$ 205,221	\$ 133,773
Net investment income	1,533	18,972	20,566	21,211
Benefit payments	(110,983)	(86,145)	(119,386)	(128,130)
Administrative expense	(393)	(334)	(236)	(173)
<b>Net change in plan fiduciary net position</b>	364,339	11,107	106,165	26,681
<b>Plan fiduciary net position - beginning</b>	321,977	310,870	204,705	178,024
<b>Plan fiduciary net position - ending</b>	<u>\$ 686,316</u>	<u>\$ 321,977</u>	<u>\$ 310,870</u>	<u>\$ 204,705</u>
<b>District's net OPEB liability (asset) - ending</b>	<u>\$ 791,304</u>	<u>\$ 1,129,778</u>	<u>\$ 1,306,074</u>	<u>\$ 1,356,216</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	46.4%	22.2%	19.2%	13.1%
<b>Covered-employee payroll</b>	<u>\$ 6,424,306</u>	<u>\$ 6,947,771</u>	<u>\$ 6,778,313</u>	<u>\$ 6,703,058</u>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	12.32%	16.26%	19.27%	20.23%

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2021*

Last 10 Fiscal Years\*

	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
District's proportion of net OPEB liability	0.0139%	0.0124%	0.0129%	0.0126%
District's proportionate share of net OPEB liability	\$ 58,981	\$ 46,011	\$ 49,510	\$ 52,842
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

**Notes to Schedule:**

*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.*

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2021*

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#### 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 States 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 adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

##### **Schedule of 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.

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

***Change of assumptions*** - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

##### **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.

##### **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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

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

***Change of assumptions*** – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life.

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2021*

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### **NOTE 1 – PURPOSE OF SCHEDULES (continued)**

#### **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.

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

*Change of assumptions* – The discount rate was changed from 3.50 percent to 2.21 percent since the previous valuation.

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*Supplementary Information*

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## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

### *Local Educational Agency Organization Structure*

*June 30, 2021*

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The Aromas - San Juan Unified School District was established July 1, 1991 and consists of an area comprising approximately 65 square miles. The District operates two preschools, two elementary schools, and one high school. There were no boundary changes during the year.

<b>BOARD OF TRUSTEES</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Casey Powers	President	2022
Monica Martinez-Guaracha	Clerk	2022
Oren Beske	Trustee	2022
Anissa Dizon	Trustee	2024
Dan Kerbs	Trustee	2024

### **DISTRICT ADMINISTRATORS**

Michele Huntoon,  
*Superintendent*

Elizabeth Wilson  
*Chief Business Official*

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2021*

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Number of Instructional Days				
Grade Level	Actual	Number of Days		Status
		form J-13A	Total	
		Waiver		
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied
Grade 9	180	0	180	Complied
Grade 10	180	0	180	Complied
Grade 11	180	0	180	Complied
Grade 12	180	0	180	Complied

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2021*

General Fund	(Budget) 2022 <sup>2</sup>	2021 <sup>3</sup>	2020	2019
Revenues and other financing sources	\$ 16,743,145	\$ 15,907,326	\$ 14,658,793	\$ 14,637,050
Total outgo	16,266,293	14,935,204	14,789,270	13,387,036
Change in fund balance (deficit)	476,852	972,122	(130,477)	1,250,014
Ending fund balance	\$ 6,726,288	\$ 6,249,436	\$ 5,277,314	\$ 5,407,791
Available reserves <sup>1</sup>	\$ 1,882,031	\$ 1,711,541	\$ 1,449,182	\$ 1,946,969
Available reserves as a percentage of total outgo	11.6%	11.5%	9.8%	14.5%
Total long-term debt	\$ 42,827,149	\$ 43,566,180	\$ 41,501,165	\$ 34,272,320
Average daily attendance at P-2	958	N/A	958	988

The General Fund balance has increased by \$841,645 over the past two years. The fiscal year 2021-22 adopted budget projects an increase of \$476,852. For a district of this size, the state recommends available reserves of at least the greater of \$71,000 or 4% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in only one of the past three years, and it doesn't anticipate incurring an operating deficit during the 2021-22 fiscal year. Long-term debt has increased by \$9,293,860 over the past two years.

Average daily attendance decreased by 30 ADA in 2019-20 compared to the previous year. The District did not report ADA in FY 2020-21 and was funded on its FY 2019-20 ADA. Budgeted ADA for FY 2021-22 is 958.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised Final Budget September, 2021.

<sup>3</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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	<u>Building Fund</u>	<u>Special Reserve Fund for Capital Outlay</u>
June 30, 2021, annual financial and budget report (SACS) fund balances	\$ 3,427,468	\$ 1,279,173
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Cash overstated	-	(779,655)
Accounts payable understated	<u>(118,138)</u>	<u>-</u>
Net adjustments and reclassifications	<u>(118,138)</u>	<u>(779,655)</u>
June 30, 2021, audited financial statement fund balances	<u><u>\$ 3,309,330</u></u>	<u><u>\$ 499,518</u></u>

**AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2021*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program - Especially Needy	10.553	13526	\$ 1,441	
National School Lunch Program	10.555	13523	345,023	
USDA Donated Foods	10.555	N/A	14,022	
Subtotal Child Nutrition Cluster				360,486
Total U.S. Department of Agriculture				360,486
U.S. Department of Treasury:				
Passed through California Dept. Of Education (CDE):				
COVID 19-Coronavirus Relief Fund (CRF)	21.019	25516		695,809
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		235,755
Title II, Part A, Supporting Effective Instruction	84.367	14341		13,752
Title V, Part B, Rural Low Income School Program	84.358	14356		2,481
Migrant Education Cluster:				
Title I, Part C, Migrant Ed	84.011	14838	35,587	
Title I, Migrant Ed Summer Program	84.011	10005	723	
Title I, Part C, Migrant Education School Readiness Program	84.011	14768	267	
Subtotal, Migrant Education Cluster				36,577
Title III, Limited English Proficient Student Program	84.365	14346		14,581
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	168,634	
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	55,201	
COVID CARES Act Supplement Meal Reimbursement	84.425	15535	51,206	
Subtotal Education Stabilization Fund:				275,041
Individuals with Disabilities Education Act (IDEA):				
Passed through San Benito County SELPA:				
Basic Local Assistance Entitlement, Part B	84.027	13379		170,659
Total U.S. Department of Education				748,846
Total Expenditures of Federal Awards				\$ 1,805,141

Of the amounts reported above, the District provided no awards to subrecipients.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Note to the Supplementary Information*

*June 30, 2021*

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#### NOTE 1 – PURPOSE OF SCHEDULES

##### **Schedule of Instructional Time**

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

##### **Schedule of Financial Trends and Analysis**

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

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

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

##### **Schedule of Expenditures of Federal Awards**

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

The following schedule provides a 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 represent Federal funds that have been expended in the previous fiscal year without a corresponding recognition of revenue.

	<u>Assistance Listing</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 1,833,806
Difference between Federal Revenues and Expenditures:		
Coronavirus Response and Relief Supplemental Appropriations (CRRSA)	93.575	<u>(28,665)</u>
Total Schedule of Expenditures of Federal Awards	.	<u>\$ 1,805,141</u>

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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' 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***

Board of Trustees  
Aromas-San Juan Unified School District  
San Juan Bautista, California

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Aromas-San Juan 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 the Aromas-San Juan Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aromas-San Juan Unified School District's internal control.

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

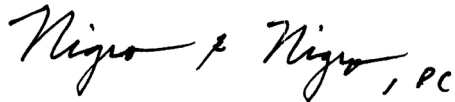
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
\_\_\_\_\_, 2021



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

Board of Trustees  
Aromas-San Juan Unified School District  
San Juan Bautista, California

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

We have audited Aromas-San Juan 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 Aromas-San Juan Unified School District's major federal programs for the year ended June 30, 2021. Aromas-San Juan Unified School District's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Aromas-San Juan 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 Aromas-San Juan 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 Aromas-San Juan Unified School District's compliance.

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

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

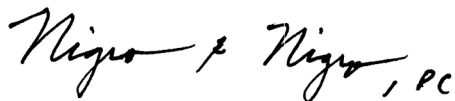
### **Report on Internal Control Over Compliance**

Management of Aromas-San Juan 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 Aromas-San Juan 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 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.



Murrieta, California  
\_\_\_\_\_, 2021



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Aromas-San Juan Unified School District  
San Juan Bautista, California

### Report on State Compliance

We have audited Aromas-San Juan Unified School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Aromas-San Juan Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Aromas-San Juan Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 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 types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Aromas-San Juan 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 state program. However, our audit does not provide a legal determination of Aromas-San Juan Unified School District's compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Not Applicable

#### ***Unmodified Opinion on Compliance with State Programs***

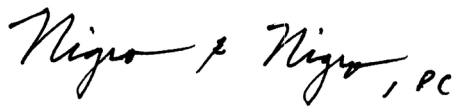
In our opinion, Aromas-San Juan Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2021.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2021-001 and 2021-002. Our opinion on each state program is not modified with respect to these matters.

#### ***District's Responses to Findings***

Aromas-San Juan Unified School District's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Aromas-San Juan Unified School District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.



Murrieta, California  
\_\_\_\_\_, 2021

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*Schedule of Findings and Questioned Costs*

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## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2021

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#### **Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es)	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

#### **Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Section 200.516(a)?	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID 19-Coronavirus Relief Fund (CRF)
10.533, 10.555	Child Nutrition Cluster

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

#### **State Awards**

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### *Financial Statement Findings*

*For the Fiscal Year Ended June 30, 2021*

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This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

*There were no federal award findings or questioned costs in 2020-21.*

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

### *Federal Award Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2021*

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This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2020-21.*

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

### *State Award Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2021*

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This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

#### **FINDING 2021-001: UNDUPLICATED PUPIL COUNTS (40000)**

*Partial Repeat of Finding 2020-002.*

##### **Criteria:**

California Education Code section 42238.01 states, in part:

“Eligible for free or reduced-price meals” means determined to meet federal income eligibility criteria, either through completing an application for the federal National School Lunch Program or through an alternative household income data collection form, or deemed to be categorically eligible for free or reduced-price meals under the federal National School Lunch Program, as described in Part 245 of Title 7 of the Code of Federal Regulations.

“Pupils of limited English proficiency” means pupils who do not have the clearly developed English language skills of comprehension, speaking, reading, and writing necessary to receive instruction only in English at a level substantially equivalent to pupils of the same age or grade whose primary language is English. “English learner” shall have the same meaning as provided for in subdivision (a) of Section 306 and as “pupils of limited English proficiency.”

California Education Code section 42238.02(b)(1) states:

For purposes of this section “unduplicated pupil” means a pupil enrolled in a school district or a charter school who is either classified as an English learner, eligible for a free or reduced-price meal, or is a foster youth. A pupil shall be counted only once for purposes of this section if any of the following apply:

- (A) The pupil is classified as an English learner and is eligible for a free or reduced-price meal.
- (B) The pupil is classified as an English learner and is a foster youth.
- (C) The pupil is eligible for a free or reduced-price meal and is classified as a foster youth.
- (D) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a foster youth.

California Education Code section 42238.02(b)(2) states:

Under procedures and timeframes established by the Superintendent, commencing with the 2013-14 fiscal year, a school district or charter school shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System.

California Education Code section 42238.02(b)(4) states:

The Superintendent shall make the calculations pursuant to this section using the data submitted by local educational agencies, including charter schools, through the California Longitudinal Pupil Achievement Data System. Under timeframes and procedures established by the Superintendent, school districts and charter schools may review and revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

**Condition:** During our review of the District’s Unduplicated Local Control Funding Formula (LCFF) Pupil Counts, we noted an error with three students who were improperly reported as free or reduced.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2021

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#### **FINDING 2021-001: UNDUPLICATED PUPIL COUNTS (40000) (continued)**

**Context:** We elected to extrapolate the error to determine the impact on the population of the school site. We noted an extrapolated error of fifteen students who were improperly reported as free or reduced.

**Cause:** The District reported students who were supposed to be classified as paid based on their NSLP application.

**Effect:** The error would result in a loss of apportionment of \$7,889, but due to the District being a community-funded district there is no financial impact on the District. Refer to the summary chart below:

	<u>CALPADS</u>	<u>Adjusted based on FRPM</u>	<u>Adjusted Total</u>
<b>Program/Site:</b>			
Anzar High School	175	(15)	160
Aggregate Remaining Sites	437	-	437
District-Wide	<u>612</u>	<u>(15)</u>	<u>597</u>

Total enrollment of 1,017 was not adjusted based on the results of our procedures.

**Recommendation:** We recommend that the District implement controls to ensure that contemporaneous supporting documentation is maintained to support all students reported for the unduplicated pupil counts and implement policies and procedures to ensure that the CALPADS is updated with changes in students' FRPM and EL designations.

**District Response:** The District acknowledges errors found during testing resulting from the NSLP system not integrating with the Student Information System (SIS). The District has taken steps to correct the discrepancy by implementing the Aeries SIS, which regularly updates the NSLP system. The District also has filed a correction with the California Department of Education to reduce 15 unduplicated pupils. As a community-funded district, this correction will have no fiscal impact on the District.

#### **FINDING 2021-002: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)**

**Criteria:** California Education Code (EC) Section 32281(a) requires every kindergarten through grade twelve school, public and public charter, including community and court schools, to develop and maintain a CSSP designed to address campus risks, prepare for emergencies, and create a safe, secure learning environment for students and school personnel. In a school district with fewer than 2,501 units of average daily attendance, there may be one CSSP for all schools within the district.

The law requires designated stakeholders to annually engage in a systematic planning process to develop strategies and policies to prevent and respond to potential incidents involving emergencies, natural and other disasters, hate crimes, violence, active assailants/intruders, bullying and cyberbullying, discrimination and harassment, child abuse and neglect, discipline, suspension and expulsion, and other safety aspects.

**Condition:** During our audit it was noted that the District did not revise and approve its comprehensive school safety plan by March 1.

**Context:** Error was recurring, as the plans were not updated and approved for all school sites within the District.

**Cause:** The transitioning of key management positions resulted in lack of oversight as these positions were vacant.

## **AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT**

*State Award Findings and Questioned Costs (continued)*

*For the Fiscal Year Ended June 30, 2021*

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### **FINDING 2021-002: COMPREHENSIVE SCHOOL SAFETY PLAN (40000) (continued)**

**Effect:** None

**Recommendation:** We recommend that the District implement controls to ensure that comprehensive school safety plans are reviewed, revised (if necessary), and approved by March 1 of each school year to ensure compliance.

**District Response:** The District has a District-Wide Comprehensive School Safety Plan (CSSP) modified in the previous year and effective for the 2020-21 school year with no proposed changes. The timing of the annual review of the CSSP was at the same time as the District was preparing to bring students back to school sites. Due to the high volume of other safety plans, also requiring stakeholder input, to address the issues surrounding COVID, the annual review of the District-Wide CSSP was overlooked. The annual review of the CSSP has been added to the District's calendar for February of 2022.

## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-001: After School Education and Safety (ASES) Program</i>	<p><i>This finding is a repeat of Finding 2019-004.</i></p> <p>The District is required to report attendance on a semi-annual basis to accurately reflect the attendance related to the program per California Education Code Section 8483.55. The District must be able to provide written origination documentation to support the attendance reported on a semi-annual basis by site.</p> <p>The District provided the auditors with copies of the first and second half Manage Grant/Attendance reports submitted to the state, which reported a combined total of 8,124 students served during the 2019-20 fiscal year. In addition, auditors were provided with the supporting documentation for the first and second half Manage Grant/Attendance reports which reflected 3,682 students served for the 2019-20 fiscal year. When comparing the reports, it was noted that the second half Manage Grant/Attendance report submitted to the state was cumulative, which resulted in an overstatement of 4,442 students served for the 2019-20 fiscal year.</p>	40000	The District should ensure totals calculated for monthly attendance, by a third-party vendor, are accurately reported on the State semi-annual report.	Not Applicable in Current Year
<i>Finding 2020-002: CALPADS Unduplicated Pupil Count</i>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"><li>• Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).</li></ul>	40000	We recommend that the District implement a procedure to review the CALPADS information prior to submission to the California Department of Education.	Partial Repeat – Finding 2021-001.



## AROMAS-SAN JUAN UNIFIED SCHOOL DISTRICT

### Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

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Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-002: CALPADS Unduplicated Pupil Count (continued)</i>	<ul style="list-style-type: none"><li>Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.</li></ul> <p>During our testing of a hundred percent of free and reduced-price meal eligible pupils reported in the CALPADS 1.17 and 1.18 reports, we noted that 15 pupils out of 101 tested did not have an application or income eligibility form on file to support the designation prior to October 31.</p> <p>During our testing of a hundred percent pupils who were classified as English Learner (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted 7 pupils out of 40 tested who did not have the appropriate ELPAC testing scores on file to support the designation prior to October 31.</p>			