

AUBURN UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

AUBURN UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Auburn Union School District
Auburn, 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 Auburn Union School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Auburn Union School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 14 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, Charter School Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 52 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Auburn Union School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis 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 March 4, 2021 on our consideration of Auburn Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Auburn Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Auburn Union School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
March 4, 2021



AUBURN UNION SCHOOL DISTRICT

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MANAGEMENT DISCUSSION AND ANALYSIS Fiscal Year Ending June 30, 2020

This annual report consists of three parts – Management’s Discussion & Analysis, the basic financial statements and required supplementary information.

The Management’s Discussion and Analysis consists of six sections:

- **Overview of the Financial Statements** – Serves as a guide to reading the financial statements provided in the sections following the Management’s Discussion & Analysis.
- **Financial Highlights** – Emphasizes significant actions implemented by the District, as well as significant factors affecting the District.
- **Financial Analysis of the District as a Whole** – Illustrates the District’s current, as well as, long-term assets and liabilities.
- **Financial Analysis of the District’s Funds** – Illustrates and compares the District’s primary activities.
- **Capital Asset and Debt Administration** – Illustrates the District’s investment in capital assets and its level of debt.
- **Economic Factors and Next Year’s Budget** – Illustrates issues that management sees as relevant to the future financial health of the District.

The following section provides an overview of the District’s financial activities for the fiscal year ending June 30, 2020. It is management’s view of the District’s financial condition. It should be read in conjunction with the independent auditor’s opinion, the basic financial statements, and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

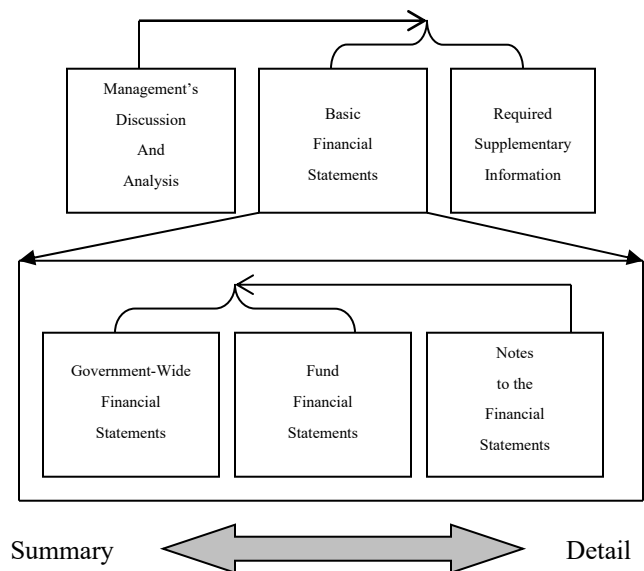
The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-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 government-wide statements.

The fund financial statements can be further broken down into two types:

- *Governmental funds statements* illustrate how basic services (such as regular and special education) were financed in the short-term, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the fiscal year. The diagram presented here shows how the various parts of the annual financial report are arranged and relate to one another.



The chart on the next page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and content of each of the statements.

Major Features of the Government-Wide and Fund Financial Statements

		Fund Statements	
	Government-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets plus deferred outflows and liabilities plus deferred inflows) is one way to measure the District's financial health. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the District, additional non-financial factors (including the condition of the District's school buildings and other facilities) must be considered.

In the government-wide financial statements, the District's activities are reported as Governmental activities. Most of the District's services are included here, such as regular education, special education, transportation and administration. Funding received from the State of California through the Local Control Funding Formula, along with categorical and special funding received from the federal and state governments 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 or to show that certain revenues have been properly used.

There are two types of funds that the District utilizes:

- *Governmental funds* – Most 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 in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. This information does not encompass the additional long-term focus of the government-wide statements; therefore additional information at the bottom of the governmental funds statements is provided that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets in these funds are used only for their intended purposes and only by those to whom they belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance operations.

FINANCIAL HIGHLIGHTS

- The financial statements reflect the District's educational policy of sound instructional programs and delivery systems through the prudent allocation of financial resources.
- Auburn Union School district consists of three traditional elementary schools, one traditional middle school, and one charter elementary school:
 - Traditional schools: Auburn Elementary, Rock Creek Elementary, Skyridge Elementary, and EV Cain Middle School
 - Charter elementary school: Alta Vista Community Charter School
- District school enrollment has declined 8 out of the last 10 years. Enrollment for district schools in 2019/20 was 1,734, which was an increase of one student from the prior year. Alta Vista Community Charter School enrollment has increased 5 out of the last 7 years. Enrollment for Alta Vista in 2019/20 was 160, which was an increase of 20 students from the prior year.
- The ratio of attendance to enrollment was approximately 96% in 2019/20.
- The main funding source for schools in California is the Local Control Funding Formula (LCFF), which was introduced in 2013/14. The goal of this funding formula is to provide local education agencies with flexibility to direct resources to meet student needs, increase funding transparency and simplify how funding is provided to schools. LCFF focuses attention on performance by creation of the Local Control Accountability Plan (LCAP). The LCAP describes how resources are used, with a focus on eight State priorities, linking programs to local education agency budgets.
- In 2019/20, the District's number of unduplicated English language learner, economically disadvantaged and foster student population was 981 which represents 57% of enrollment.
- During 2019/20, Certificate of Participation (COP) payments for debt service were funded from developer fees, interest income and tax revenue.
- Starting in 2014/15 the Governmental Accounting Standards Board implemented GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The result is the recognition of a Net Pension Liability and Deferred Outflows and Inflows on the District's Statement of Net Position. While this has a significant negative impact on the District's Net Position, it does not represent a liability for which the district must make payments in the foreseeable future.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A review of the District as a whole can best be seen in the strength of the District's net position and the subsequent changes in net position.

The computation of the District net position is presented by category in the table below:

	Government-Wide Statement of Net Position		
	June 30, 2019	June 30, 2020	% Variance
Assets:			
Cash and Investments	\$ 42,384,421	\$ 41,594,557	
Receivables	1,435,190	2,047,917	
Prepaid Expenses	15,679	153,259	
Store Inventory	14,042	61,625	
Capital Assets, net of Depreciation	11,128,196	10,362,965	
Total Assets	54,977,528	54,220,323	-1.4%
Deferred Outflows of Resources	7,551,648	7,060,769	-6.5%
Liabilities:			
Accounts Payable	3,419,745	2,237,162	
Deferred Revenue	13,461	125,710	
Long-term Liabilities			
Current Portion	234,745	367,243	
Non-Current Portion	63,558,179	63,931,411	
Total Liabilities	67,226,130	66,661,526	-0.8%
Deferred Inflows of Resources	1,930,000	2,107,274	9.2%
Net Position:			
Net investment in capital assets	9,170,136	10,022,285	
Restricted	1,428,654	1,115,127	
Unrestricted	(17,225,744)	(18,625,120)	
Total Net Position	\$ (6,626,954)	\$ (7,487,708)	-13.0%

Total net position decreased by \$860,754 during the 2019/20 fiscal year. Capital assets net of depreciation decreased by a total of \$765,231 due primarily to depreciation. Stores inventory increased by \$47,583 related to unused inventory associated with reduced operations associated with COVID-19. Cash and Investments decreased by \$789,864 due primarily to payments for a large HVAC project. Total liabilities had a net decrease of \$564,604, primarily as a result of accounts payable and pension accrual adjustments relating to GASB 68.

GASB 68 pension related transactions included on the Statement of Net Position are as follows:

Deferred outflows of resources related to pensions: \$96,822

Deferred inflows of resources related to pensions: \$192,274

Net Pension Liability: \$21,761,000

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Market value for district property is significantly higher than book value recorded in assets as the District acquired the land decades ago.

Changes in Net Position

A summary of total District revenues, expenses, and change in net position is presented in the table below:

	Government-Wide Activities		
	2018/19	2019/20	% Variance
Revenues – Program:			
Charges for Services	\$ 476,108	\$ 468,058	
Operating Grants and Contributions	4,895,986	4,148,659	
Revenues – General:			
Taxes Levied for General Purposes	11,616,457	12,137,683	
Taxes Levied for Other Debt Service	390,759	392,812	
Taxes Levied for Other Specific Purposes	171,271	183,714	
Unrestricted Federal and State Aid	6,545,993	6,369,856	
Interest and Investment Earnings	2,439,138	2,513,152	
Miscellaneous	96,241	229,848	
Total Revenues	\$ 26,631,953	\$ 26,443,782	-0.7%
Expenses:			
Instruction	\$ 14,543,967	\$ 14,789,577	
Instruction Related	2,205,487	2,420,694	
Pupil Services	3,655,670	3,329,857	
General Administration	1,642,606	1,988,758	
Plant Services	2,625,866	2,654,556	
Other Expenses	2,017,066	2,121,094	
Total Expenses	\$ 26,690,662	\$ 27,304,536	2.3%
Net Position, Beginning of the Year	\$ (6,568,245)	\$ (6,626,954)	
Change in Net Position	(58,709)	(860,754)	
Net Position, End of the Year	\$ (6,626,954)	\$ (7,487,708)	-13.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Ending Fund Balances	2018/19	2019/20	Difference	% Change
General (Unrestricted & Restricted)	\$ 4,398,388	\$ 3,866,685	\$ (531,703)	-12.1%
Charter Schools	46,046	69,945	23,899	51.9%
Cafeteria	456,708	330,992	(125,716)	-27.5%
Building	17,701	1,688	(16,013)	-90.5%
Capital School Facilities	89,902	60,408	(29,494)	-32.8%
County School Facilities	48	48	0	0.0%
Special Reserve for Capital Outlay	35	36	1	2.9%
Mello Roos - Capital Project	383	389	6	1.6%
Mello Roos - Debt Service	51,400	48,192	(3,208)	-6.2%
Special Reserve 56 Debt Service	35,513,530	37,275,700	1,762,170	5.0%
Total	\$ 40,574,141	\$ 41,654,083	\$ (1,079,942)	2.7%

GENERAL FUND RECAP – FUND 01

Unrestricted-Restricted Combined	2018/19	2019/20	Difference
Beginning Balance	\$ 5,634,279	\$ 4,398,388	\$ (1,235,891)
Revenues + Transfer In/Sources	21,448,070	20,968,264	(479,806)
Expenditure + Transfer Out/Uses	22,683,961	21,585,349	(1,098,612)
Ending Balance	\$ 4,398,388	\$ 3,781,303	\$ (617,085)

Unrestricted Only	2018/19	2019/20	Difference
Beginning Balance	\$ 4,478,905	\$ 3,640,984	\$ (837,921)
Revenues + Transfer In/Sources	16,813,100	17,055,853	242,753
Expenditure + Transfer Out/Uses	17,651,021	17,299,462	(351,559)
Ending Balance	\$ 3,640,984	\$ 3,397,375	\$ (243,609)

The declines in revenues, expenditures are primarily associated declining enrollment and the reduction of certain one-time revenue received in 2018-19. The decline in ending fund balance is primarily associated with utilizing fund balance for capital improvements.

The General Fund is used for operating expenditures for the majority of the functions within the District, 80% of all expenditures (excluding capital outlay) are tied to salaries and benefits.

Contributions to Major Programs from Unrestricted General Fund

The following programs in the general fund required financial contributions to fund operations:

Underfunded Programs	Amount
Special Education – AUSD Contribution from Unrestricted	\$ 2,627,167
Special Education – Charter Fund Contribution (Alta Vista)	212,333
Total Contributions	\$ 2,839,500

CHARTER FUND RECAP – FUND 09, Alta Vista Community Charter School

Unrestricted	2018/19	2019/20	Difference
Beginning Balance	\$ 163,479	\$ 46,046	\$ (117,433)
Revenues + Transfer In/Sources	1,375,137	1,550,648	175,511
Expenditure + Transfer Out/Uses	1,492,570	1,526,749	34,179
Ending Balance	\$ 46,046	\$ 69,945	\$ 23,899

Alta Vista Revenue

Following is a breakdown of major funding sources:

General Purpose LCFF Sources	\$ 1,410,913
Federal Revenues	0
Other State Revenues	102,038
Other Local Revenues	37,697
Transfers In/Other Sources	0
Total	\$ 1,550,648

Alta Vista Expenses

Below is a breakout of expenses for Alta Vista Charter. Other Outgo/Transfer expenses are comprised of services shared with the district and indirect/oversight costs.

Certificated Salaries	\$ 576,751
Classified Salaries	184,694
Employee Benefits	294,146
Books and Supplies	57,492
Services	131,183
Capital Outlay	0
Other Outgo/Transfers Out	282,483
Total Expenditures	\$ 1,526,749

General Fund Budgetary Highlights

Budget revisions were made through-out the fiscal year. The items included in these revisions fell into four main categories:

- Increases to both estimated income and expenditures due to the receipt of new grant awards or donations.
- The budgeting of carryover balances from prior years. It is District practice not to adjust the budget carryover balances until after the end of the prior fiscal year and those figures are known.
- Increases / decreases in salaries as a result of salary negotiations
- Increases in appropriations to prevent budget overruns.

The District's 2019/20 General Fund operating budget was adopted by the Governing Board in June of 2019. As adopted, budgeted fund inflows totaled \$19.9 million, and projected fund outflows totaled \$21.1 million. As a result of budgeted appropriations exceeding revenues, the District originally estimated a decrease to fund balance of \$716K. The actual results reflect a decrease to fund balance of \$532K. This resulted in an ending fund balance of approximately \$3.8 million, combined unrestricted and restricted funds. Of this amount, \$3.4 million is unrestricted.

Below is a summary of the primary differences when comparing the actual results to the originally adopted 2019/20 budget:

- The District received revenue and inflows of approximately \$617K more than the original budget as a result of:
 - Federal revenue was less than originally projected by \$42K as a result less reimbursement of expenses due to COVID-19 for Title I, II and III.
 - Other State revenue increased by 592K primarily as a result of:
 - \$297K increase for one-time revenue included in the adopted State budget
 - \$235K increase to the amount recorded for pension on-behalf costs
 - The remaining differences are from all other sources, including transfers
- The District incurred expenses and outflows of \$432K more than the original budget as a result of:
 - Certificated salary and benefits increased by approximately \$105K due to increased costs for leaves/substitutes
 - \$276K increase in supplies expenses primarily due to purchases of textbooks and Chromebooks
 - The remaining differences are spread among all other expense categories

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End (Net of Depreciation)

	2018/19	2019/20	Difference
Land	\$ 2,204,807	\$ 2,204,807	
Improvement of Sites	114,143	133,358	\$ 19,215
Buildings	8,511,146	7,758,407	(752,739)
Equipment	298,100	266,393	(31,707)
Totals	\$ 11,128,196	\$ 10,362,965	\$ (765,231)

The decrease in the District's capital assets is primarily associated by recognizing depreciation expense for the 2019/20 fiscal year.

Long-term Liabilities at Year-End

	2018/19	2019/20	Difference
Certificates of Participation (COP)	\$ 39,194,584	\$ 39,125,460	\$ (69,124)
COP Accreted Interest Payable	1,232,102	1,181,642	(50,460)
Compensated Absences	135,562	129,716	(5,846)
Net Pension Liability (GASB 68)	21,222,000	21,761,000	539,000
Retiree Health Benefits	2,008,676	2,100,836	92,160
Totals	\$ 63,792,924	\$ 64,298,654	\$ 505,730

The District's long-term liabilities increased in 2019/20 by \$506K primarily as a result of GASB 68 accounting adjustments.

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Scott Bentley
 Chief Business Officer
 Auburn Union School District
 255 Epperle Lane
 Auburn, CA 95603
 (530) 745-8814

BASIC FINANCIAL STATEMENTS

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

	Governmental <u>Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 41,594,557
Receivables	2,047,917
Prepaid expenses	153,259
Stores inventory	61,625
Non-depreciable capital assets (Note 4)	2,204,807
Capital assets, net of accumulated depreciation (Note 4)	<u>8,158,158</u>
 Total assets	 <u>54,220,323</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	5,320,748
Deferred outflows of resources - OPEB (Notes 9)	96,822
Deferred outflow from advance refunding of debt	<u>1,643,199</u>
 Total deferred outflows of resources	 <u>7,060,769</u>
 LIABILITIES	
Accounts payable	2,237,162
Deferred revenue	125,710
Long-term liabilities (Note 5):	
Due within one year	367,243
Due after one year	<u>63,931,411</u>
 Total liabilities	 <u>66,661,526</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	1,915,000
Deferred inflows of resources - OPEB (Notes 9)	<u>192,274</u>
 Total deferred inflows of resources	 <u>2,107,274</u>
 NET POSITION	
Net investment in capital assets	10,022,285
Restricted:	
Legally restricted programs	870,247
Capital projects	62,569
Debt service	182,311
Unrestricted	<u>(18,625,120)</u>
 Total net position	 <u>\$ (7,487,708)</u>

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

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
June 30, 2020

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 14,789,577	\$ 34,745	\$ 2,453,874	\$ -	\$ (12,300,958)
Instruction-related services:					
Supervision of instruction	606,741	-	161,355	-	(445,386)
Instructional library, media and technology	104,079	-	852	-	(103,227)
School site administration	1,709,874	1,671	107,216	-	(1,600,987)
Pupil services:					
Home-to-school transportation	855,398	-	40	-	(855,358)
Food services	1,015,252	128,638	648,049	-	(238,565)
All other pupil services	1,459,207	-	425,269	-	(1,033,938)
General administration:					
Data processing	276,461	-	-	-	(276,461)
All other general administration	1,712,297	15,943	135,898	-	(1,560,456)
Plant services	2,654,556	-	889	-	(2,653,667)
Ancillary services	27,517	16,476	5,876	-	(5,165)
Interest on long-term liabilities	1,453,499	-	-	-	(1,453,499)
Other outgo	640,078	270,585	209,341	-	(160,152)
Total governmental activities	<u>\$ 27,304,536</u>	<u>\$ 468,058</u>	<u>\$ 4,148,659</u>	<u>\$ -</u>	<u>(22,687,819)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					12,137,683
Taxes levied for debt service					392,812
Taxes levied for other specific purposes					183,714
Federal and state aid not restricted to specific purposes					6,369,856
Interest and investment earnings					2,513,152
Miscellaneous					229,848
Total general revenues					<u>21,827,065</u>
Change in net position					(860,754)
Net position, July 1, 2019					<u>(6,626,954)</u>
Net position, June 30, 2020					<u>\$ (7,487,708)</u>

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

AUBURN UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General <u>Fund</u>	Charter School <u>Fund</u>	Special Reserve 56 <u>Fund</u>	All Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and investments:					
Cash in County					
Treasury	\$ 4,211,600	\$ -	\$ 56,996	\$ 105,344	\$ 4,373,940
Cash awaiting deposit	37,834	3,213	-	30,419	71,466
Cash on hand and		-			
in banks	-	-	-	2,500	2,500
Cash in revolving fund	5,070	-	-	-	5,070
Cash with fiscal agent	-	-	37,141,581	-	37,141,581
Receivables	1,658,574	68,788	47	320,508	2,047,917
Due from other funds	905,291	932,970	77,076	20,933	1,936,270
Prepaid expenditures	151,281	1,178	-	800	153,259
Stores inventory	-	-	-	61,625	61,625
	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,625</u>	<u>61,625</u>
Total assets	<u>\$ 6,969,650</u>	<u>\$ 1,006,149</u>	<u>\$ 37,275,700</u>	<u>\$ 542,129</u>	<u>\$ 45,793,628</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,000,776	\$ 68,281	\$ -	\$ 8,508	\$ 2,077,565
Deferred revenue	71,210	500	-	54,000	125,710
Due to other funds	1,030,979	867,423	-	37,868	1,936,270
	<u>3,102,965</u>	<u>936,204</u>	<u>-</u>	<u>100,376</u>	<u>4,139,545</u>
Total liabilities	<u>3,102,965</u>	<u>936,204</u>	<u>-</u>	<u>100,376</u>	<u>4,139,545</u>
Fund balances:					
Nonspendable	156,351	1,178	-	62,425	219,954
Restricted	469,310	68,767	37,275,700	379,328	38,193,105
Assigned	2,594,856	-	-	-	2,594,856
Unassigned	646,168	-	-	-	646,168
	<u>3,866,685</u>	<u>69,945</u>	<u>37,275,700</u>	<u>441,753</u>	<u>41,654,083</u>
Total fund balances	<u>3,866,685</u>	<u>69,945</u>	<u>37,275,700</u>	<u>441,753</u>	<u>41,654,083</u>
Total liabilities and fund balances	<u>\$ 6,969,650</u>	<u>\$ 1,006,149</u>	<u>\$ 37,275,700</u>	<u>\$ 542,129</u>	<u>\$ 45,793,628</u>

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

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - Governmental Funds	\$	41,654,083
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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 the assets is \$32,635,251 and the accumulated depreciation is \$22,272,286 (Note 4).		10,362,965
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of (Note 5):

Certificates of Participation	\$ (39,125,460)	
Accreted interest	(1,181,642)	
Total OPEB liability (Note 9)	(2,100,836)	
Compensated absences	(129,716)	
Net pension liability (Notes 7 and 8)	<u>(21,761,000)</u>	
		(64,298,654)

In governmental funds, interest on long-term liabilities 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.		(159,597)
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Deferred outflows of resources resulting from defeasance of debt are not recorded in governmental funds. In governmental activities, for advanced refundings resulting in the defeasance of debt reported in the governmental activities, the difference between the reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources (Note 5).		1,643,199
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In government 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 (Note 9).

Deferred outflows of resources relating to OPEB	96,822	
Deferred inflows of resources relating to OPEB	<u>(192,274)</u>	
		(95,452)

(Continued)

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

In government 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 (Notes 7 and 8).

Deferred outflows of resources relating to pensions	\$ 5,320,748	
Deferred inflows of resources relating to pensions	<u>(1,915,000)</u>	
		<u>\$ 3,405,748</u>
 Total net position - governmental activities		 <u>\$ (7,487,708)</u>

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

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Charter School Fund	Special Reserve 56 Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding					
Formula (LCFF):					
State apportionment	\$ 5,472,351	\$ 490,863	\$ -	\$ -	\$ 5,963,214
Local sources	10,895,247	920,050	-	-	11,815,297
Total LCFF	16,367,598	1,410,913	-	-	17,778,511
Federal sources	936,725	-	-	611,948	1,548,673
Other state sources	2,015,282	102,038	-	47,444	2,164,764
Other local sources	1,413,690	37,697	2,420,002	872,484	4,743,873
Total revenues	20,733,295	1,550,648	2,420,002	1,531,876	26,235,821
Expenditures:					
Current:					
Certificated salaries	8,580,461	576,752	-	-	9,157,213
Classified salaries	3,262,960	184,694	-	350,808	3,798,462
Employee benefits	4,805,104	294,145	-	122,159	5,221,408
Books and supplies	920,795	57,492	-	375,878	1,354,165
Contract services and		-			
operating expenditures	3,008,071	131,183	-	74,915	3,214,169
Other outgo	640,078	-	-	-	640,078
Capital outlay	269,871	-	-	17,834	287,705
Debt service:					
Principal retirement	-	-	69,124	-	69,124
Interest	-	-	1,265,784	147,771	1,413,555
Total expenditures	21,487,340	1,244,266	1,334,908	1,089,365	25,155,879
(Deficiency) excess of					
revenues (under)					
over expenditures	(754,045)	306,382	1,085,094	442,511	1,079,942
Other financing sources (uses):					
Transfers in	320,351	-	677,076	20,933	1,018,360
Transfers out	(98,009)	(282,483)	-	(637,868)	(1,018,360)
Total other financing					
sources (uses)	222,342	(282,483)	677,076	(616,935)	-
Net change in					
fund balances	(531,703)	23,899	1,762,170	(174,424)	1,079,942
Fund balances, July 1, 2019	4,398,388	46,046	35,513,530	616,177	40,574,141
Fund balances, June 30, 2020	\$ 3,866,685	\$ 69,945	\$ 37,275,700	\$ 441,753	\$ 41,654,083

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

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net change in fund balances - Total Governmental Funds \$ 1,079,942

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

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). 288,244

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (1,053,475)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5). 69,124

Accreted interest is not recognized until due and, therefore, is not accrued as a payable in governmental funds (Note 5) 50,460

In governmental funds, gain/losses on refunding of debt are not recognized. In government-wide statements, gain/losses on refunding of debt are deferred and amortized over the life of the debt (Note 5). (88,822)

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. (1,582)

In government 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 (Notes 7 and 8). (986,619)

In the statement of activities, expenses related to the total OPEB liability and compensated absences are measured by the amount earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5 and 8). (218,026)

Change in net position of governmental activities \$ (860,754)

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

AUBURN UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	
Cash in County Treasury	\$ 1,014,224
Cash on hand and in banks	<u>33,461</u>
Total assets	<u>\$ 1,047,685</u>
LIABILITIES	
Due to student groups	\$ 33,461
Accounts payable	<u>1,014,224</u>
Total liabilities	<u>\$ 1,047,685</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Auburn Union 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:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public elementary school education in the District. The District, Auburn Union School District Financing Corporation (the "Corporation") and Auburn/Foresthill Financing Authority (the "Authority") have a financial and operational relationship which meets the reporting entity definition criteria of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation and the Authority as component units of the District. Accordingly, financial activities of the Corporation and the Authority have been included in the financial statements of the District as blended component units.

The following are those aspects of the relationship between the District, the Corporation and the Authority which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, as amended by criteria:

A - Manifestations of Oversight

1. The Corporation's and the Authority's Boards of Directors were appointed by the District's Board of Trustees.
2. The Corporation and the Authority have no employees. The District's Superintendent and Chief Business Officer function as agents of the Corporation and the Authority. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation and the Authority as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation and the Authority.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation and the Authority must have the consent of the District.
2. Any deficits incurred by the Corporation and the Authority will be reflected in the lease payments of the District. Any surpluses of the Corporation and the Authority revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation and the Authority.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation and the Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Corporation and the Authority were created for the sole purpose of financially assisting the District.
2. The Corporation and the Authority are nonprofit, public benefit corporations incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation and the Authority were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. When the Corporation's and the Authority's Certificates of Participation (COPs) have been paid with state reimbursements and the District's developer fees, title to all of the Corporation's and the Authority's property will pass to the District for no additional consideration.
3. The Corporation's and the Authority's financial activity is presented in the financial statements as the Special Reserve 56 Fund. COPs issued by the Corporation and the Authority are included in the District's long-term liabilities.

The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues - Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses - The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Charter School Fund:

The Charter School Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for Charter School purposes.

Special Reserve 56 Fund:

The Special Reserve 56 Fund is a debt service fund used to account for the accumulation and expenditure of resources used for the acquisition of capital facilities by the District.

B - Other Funds

The Cafeteria Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for food service operations.

The Capital Projects Funds are used to account for the accumulation and expenditure of resources used for the acquisition of capital facilities by the District. This classification includes the Building, Capital Facilities, Special Reserve for Capital Outlay, County School Facilities and Mello-Roos Capital Project Funds.

The Mello Roos Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

Agency Funds are used to account for assets of others for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Account. For Student Body Accounts, individual totals by school and club, are maintained within the District's accounting system. The Warrant Pass-Through Account represents all payroll clearing account activity.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables: Receivables consist principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2020.

Stores Inventory: Stores inventory is recorded using the consumption method, in that inventory acquisitions are initially recorded in the inventory asset account, and then charged to expenditure when used. Inventory reserves are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net position.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability and total OPEB liability reported in the Statement of Net Position.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net Position reports 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and total OPEB liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 3,582,621	\$ 1,738,127	\$ 5,320,748
Deferred inflows of resources	\$ 1,773,000	\$ 142,000	\$ 1,915,000
Net pension liability	\$ 14,246,000	\$ 7,515,000	\$ 21,761,000
Pension expense	\$ 2,862,737	\$ 1,623,913	\$ 4,486,650

Other Postemployment Benefits (OPEB): For purposes of measuring the total OPEB liability, information about additions to/deductions from Auburn Unified School District's Plan (the "Plan") have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. No assets are held by the Plan as of June 30, 2020.

Compensated Absences: Compensated absences in the amount of \$129,716 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all CalSTRS and CalPERS employees, when the employee retires.

Net Position: Net position is displayed in three components:

1. Net investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position when allowable expenditures are incurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2020, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2020, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Placer bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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 at June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 reporting period. Accordingly, actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2020 consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 4,373,940	\$ 1,014,224
Cash awaiting deposit	71,466	-
Deposits:		
Cash on hand and in banks	2,500	33,461
Cash in revolving fund	5,070	-
Cash with Fiscal Agent	37,141,581	-
Total	<u>\$ 41,594,557</u>	<u>\$ 1,047,685</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's accounts was \$41,031 and the bank balances were \$163,864, all of which was covered by FDIC insurance.

Cash with Fiscal Agent: Cash with Fiscal Agent represent amounts held by a third party custodian in the District's name for future capital projects.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District for goods and services are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and from other funds.

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2020 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 905,291	\$ 1,030,979
Charter School	932,970	867,423
Special Reserve 56	77,076	-
Non-Major Funds:		
Cafeteria	20,933	37,868
Totals	<u>\$ 1,936,270</u>	<u>\$ 1,936,270</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers: Transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2019-2020 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund for reimbursement for unpaid balances from meal sales for child nutrition.	\$ 20,933
Transfer from the Mello-Roos Debt Service Fund to the Special Reserve 56 Fund for debt repayment related to facilities.	250,000
Transfer from the Charter School Fund to the General Fund for special education and health services.	234,968
Transfer from the Charter School Fund to the General Fund for indirect costs.	47,515
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	37,868
Transfer from the Capital Facilities Fund to the Special Reserve 56 Fund for debt repayment related to facilities.	350,000
Transfer from the General Fund to the Special Reserve 56 Fund for debt repayment related to facilities.	77,076
Total	<u>\$ 1,018,360</u>

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2020, is shown below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Non-depreciable:				
Land	\$ 2,204,807	\$ -	\$ -	\$ 2,204,807
Depreciable:				
Improvements of sites	631,710	33,687	-	665,397
Buildings	27,920,938	236,723	-	28,157,661
Equipment	1,589,552	17,834	-	1,607,386
Totals, at cost	<u>32,347,007</u>	<u>288,244</u>	-	<u>32,635,251</u>
Less accumulated depreciation:				
Improvements of sites	(517,567)	(14,472)	-	(532,039)
Buildings	(19,409,792)	(989,462)	-	(20,399,254)
Equipment	(1,291,452)	(49,541)	-	(1,340,993)
Total accumulated depreciation	<u>(21,218,811)</u>	<u>(1,053,475)</u>	-	<u>(22,272,286)</u>
Capital assets, net	<u>\$ 11,128,196</u>	<u>\$ (765,231)</u>	<u>\$ -</u>	<u>\$ 10,362,965</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 407,102
Instructional library, media and technology	26,716
Food services	31,816
Data processing	10,996
All other general administration	27,890
Plant services	<u>548,955</u>
 Total depreciation expense	 <u>\$ 1,053,475</u>

NOTE 5 - LONG-TERM LIABILITIES

Certificates of Participation (COPs)

A - December 1999 Issuance: In December 1999, the District issued \$2,993,580 in Certificates of Participation with semi-annual payments through March 2030, at interest rates ranging between 4.50% and 6.36%. The COPS were issued to advance refund a portion of the 1994 Certificates of Participation and for the E.V. Cain improvement project. The Certificates are to be repaid from and are secured by annual base rental payments to be made by the District for lease of the facility constructed.

The following is a schedule of future payments of the 1999 Certificates of Participation:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 64,379	\$ 169,384	\$ 233,763
2022	61,852	177,199	239,051
2023	58,749	185,072	243,821
2024	56,107	190,648	246,755
2025	52,597	195,987	248,584
2026-2030	<u>228,239</u>	<u>956,978</u>	<u>1,185,217</u>
Total	<u>\$ 521,923</u>	<u>\$ 1,875,268</u>	<u>\$ 2,397,191</u>

B - January 2015 Refinancing Issuance: In January 2015, the District issued \$32,497,308 of Step Coupon Demand Certificates of Participation at a current interest rate of 3.40%. Beginning in December 2021, the interest rate increases to 4.00% through maturity. The January 2015 COP was issued to partially refund the May 2008 COP (original principal amount of \$36,010,000) and to finance the acquisition, construction, installation, modernization, and equipping of improvements to various District facilities. Semi-annual payments on the January 2015 COPs are interest only through December 2021, with the first scheduled principal payment in June 2022 through June 2038.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The following is a schedule of future payments of the January 2015 Certificates of Participation:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,104,908	\$ 1,104,908
2022	1,328,387	1,202,400	2,530,787
2023	1,283,343	1,246,757	2,530,100
2024	1,330,677	1,142,196	2,472,873
2025	1,382,644	1,195,423	2,578,067
2026-2030	7,804,357	4,834,713	12,639,070
2031-2035	10,739,722	3,080,511	13,820,233
2036-2038	<u>8,628,178</u>	<u>706,263</u>	<u>9,334,441</u>
Total	<u>\$ 32,497,308</u>	<u>\$ 14,513,171</u>	<u>\$ 47,010,479</u>

C - June 2016 Refinancing Issuance: In June 2016, the District issued \$6,106,229 of Refunding Lease Financing at an interest rate of 2.42%. The June 2016 Refunding Lease Financing were issued to refund the remaining May 2008 COP (principal amount of \$5,815,000) and to finance the acquisition, construction, installation, modernization, and equipping of improvements to various District facilities. Annual payments on the June 2016 Refunding Lease Financing are interest only through June 2021, with the first scheduled principal payment in June 2022 through June 2038.

The following is a schedule of future payments of the June 2016 Refunding Lease Financing.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 147,771	\$ 147,771
2022	274,515	196,010	470,525
2023	238,544	233,269	471,813
2024	248,679	223,727	472,406
2025	258,726	213,780	472,506
2026-2030	1,454,566	905,408	2,359,974
2031-2035	2,011,725	577,618	2,589,343
2036-2038	<u>1,619,474</u>	<u>132,732</u>	<u>1,752,206</u>
Total	<u>\$ 6,106,229</u>	<u>\$ 2,630,315</u>	<u>\$ 8,736,544</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2020, is shown below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amounts Due Within One Year
<u>Debt:</u>					
Certificates of Participation:					
December 1999	\$ 591,047	\$ -	\$ 69,124	\$ 521,923	\$ 64,379
January 2015	32,497,308	-	-	32,497,308	-
June 2016	6,106,229	-	-	6,106,229	-
Accreted interest	1,232,102	115,161	165,621	1,181,642	173,148
<u>Other Long-Term Liabilities</u>					
Total OPEB liability (Note 9)	2,008,676	92,160	-	2,100,836	-
Net pension liability (Notes 7 and 8)	21,222,000	539,000	-	21,761,000	-
Compensated absences	135,562	-	5,846	129,716	129,716
	<u>\$ 63,792,924</u>	<u>\$ 746,321</u>	<u>\$ 240,591</u>	<u>\$ 64,298,654</u>	<u>\$ 367,243</u>

Payments on the Certificates of Participation are made from the Special Reserve 56 Fund. Payments on the total OPEB liability, net pension liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2020 consisted of the following:

	General Fund	Charter School Fund	Special Reserve 56 Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 5,070	\$ -	\$ -	\$ -	\$ 5,070
Prepaid expenditures	151,281	1,178	-	800	153,259
Stores inventory	-	-	-	61,625	61,625
Subtotal nonspendable	156,351	1,178	-	62,425	219,954
Restricted:					
Legally restricted programs	469,310	68,767	-	269,367	807,444
Capital projects	-	-	-	61,769	61,769
Debt service	-	-	37,275,700	48,192	37,323,892
Subtotal restricted	469,310	68,767	37,275,700	379,328	38,193,105
Assigned:					
Reserve for catastrophic events	1,313,253	-	-	-	1,313,253
Deferred maintenance	513,895	-	-	-	513,895
Instructional purposes	495,623	-	-	-	495,623
Special education, unexpected	200,000	-	-	-	200,000
Technology replacement	72,085	-	-	-	72,085
Subtotal assigned	2,594,856	-	-	-	2,594,856
Unassigned:					
Designed for economic uncertainty	646,168	-	-	-	646,168
Total fund balances	\$ 3,866,685	\$ 69,945	\$ 37,275,700	\$ 441,753	\$ 41,654,083

(Continued)

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a full time basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost 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 is allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84. A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-2020. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their 2019-2020 retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-2020.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Employers – 17.10 percent of applicable member earnings. This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

<u>Effective Date</u>	<u>Prior Rate</u> ⁽¹⁾	<u>Increase</u>	<u>Total</u>
July 01, 2019	8.25%	8.85%	17.10% ⁽¹⁾
July 01, 2020	8.25%	10.15%	16.15% ⁽¹⁾
July 01, 2021	8.25%	(2)	(2)
July 01, 2022 to			
June 30, 2046	8.25%	(2)	(2)
July 01, 2046	8.25% Increase from prior rate ceases in 2046-47		

(1) Pursuant to SB 90 and AB 84, the fiscal year 2018-19 state contribution of approximately \$2.2 billion made in advance on behalf of employers will be used to pay the contributions required by employers for the 2019-20, 2020-21 and 2021-22 fiscal years, such that employers will remit 1.030%, 2.950% and 2.180% less, respectively, than is required by the CalSTRS Funding Plan.

(2) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$1,495,621 to the plan for the fiscal year ended June 30, 2020.

State – 10.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also, as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution of the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811% on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits reductions in contributions. Additionally, the enactment SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined benefit Program in fiscal years 2019-20 through 2022-23.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2019-2020 and beyond are summarized in the table below

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% ⁽²⁾
July 01, 2020	2.017%	5.811% ⁽³⁾	2.50%	10.328% ⁽²⁾
July 01, 2021 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	(5)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(3) In May 2020, the CalSTRS board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020-21, thereby negating the board's rate increase of 0.5%.

(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

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

District's proportionate share of the net pension liability	\$ 14,246,000
State's proportionate share of the net pension liability associated with the District	<u>7,772,000</u>
Total	<u>\$ 22,018,000</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019, the District's proportion was 0.016 percent, which was no change from its proportion measured as June 30, 2018.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$2,862,737 and revenue of \$1,291,284 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 36,000	\$ 401,000
Changes of assumptions	1,802,000	-
Net differences between projected and actual earnings on investments	-	549,000
Changes in proportion and differences between District contributions and proportionate share of contributions	249,000	823,000
Contributions made subsequent to measurement date	<u>1,495,621</u>	<u>-</u>
Total	<u>\$ 3,582,621</u>	<u>\$ 1,773,000</u>

\$1,495,621 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 115,100
2022	\$ (266,900)
2023	\$ 114,100
2024	\$ 399,433
2025	\$ (66)
2026	\$ (47,667)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.8%
Fixed Income	12	1.3
Real Estate	13	3.6
Private Equity	13	6.3
Absolute Return / Risk Mitigating Strategies	9	1.8
Inflation Sensitive	4	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

(Continued)

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate::

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 21,213,000	\$ 14,246,000	\$ 8,469,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms/publications/cafr-2019.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and 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. 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. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members - The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-2020 .

Employers - The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed \$713,127 to the plan for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$7,515,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District's proportion was 0.256 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,623,913. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 546,000	\$ -
Changes of assumptions	358,000	-
Net differences between projected and actual earnings on investments	-	70,000
Changes in proportion and differences between District contributions and proportionate share of contributions	121,000	72,000
Contributions made subsequent to measurement date	713,127	-
Total	<u>\$ 1,738,127</u>	<u>\$ 142,000</u>

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

\$713,127 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>		
2021	\$	620,084
2022	\$	133,083
2023	\$	110,083
2024	\$	19,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2018
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years (1-10)⁽¹⁾</u>	<u>Expected Real Rate of Return Years (11+)⁽²⁾</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

1) An expected inflation rate of 2.00% used for this period.

2) An expected inflation rate of 2.92% used for this period.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's 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. 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
District's proportionate share of the net pension liability	<u>\$ 10,833,000</u>	<u>\$ 7,515,000</u>	<u>\$ 4,763,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees and their spouses through an implicit rate subsidy for all retirees who elect to purchase benefits at the District's negotiated insurance premium rates. The plan does not issue separate financial statements.

The Auburn Union School District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plan to continue medical, dental and life insurance coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2020 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2020:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	11
Active employees	<u>144</u>
	<u><u>155</u></u>

Benefits Provided: The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. The plan provides medical, dental and vision health care benefits after reaching the age of 55, for Certificated employees with 15 years of service and Classified employees with 10 years of service, and for their dependents, for five years or the age of 65, whichever occurs first.

Contributions: California Government Code specifies that the District's contribution requirements for plan members are established and may be amended by the Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board.

Contributions to the Plan from the District were \$73,841 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability - The District's total 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, 2020.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Valuation Date</u>	June 30, 2020
<u>Measurement Date</u>	June 30, 2020
<u>Mortality Rate</u>	<p>PERS - The mortality assumptions are based on the 2017 CalPERS Mortality for Retired Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.</p> <p>STRS - The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.</p>
<u>Discount Rate as of June 30, 2020</u>	2.20%. Based Bond Buyer 20-Bond Index, as published by the Federal Reserve.
<u>Retirement Rate</u>	Retirement rates match rates developed in the experience studies for California PERS (2017) and California STRS (2020).
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	2.75% per year
<u>Health Care Inflation</u>	4.00%
<u>Termination Rate</u>	The turnover assumptions are based on the 2020 CalSTRS Termination Rates table created by CalSTRS and 2017 CalPERS Termination Rates tables created by CalPERS. CalSTRS and CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.
<u>Funding Method</u>	Entry Age Cost Method

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 2,008,676
Changes for the year:	
Service cost	232,991
Interest	73,089
Employer contributions	(73,841)
Differences between actual and expected experience	(209,596)
Changes in assumptions	69,517
Net change	92,160
Balance at June 30, 2020	\$ 2,100,836

The changes in assumptions was the result of a change in the discount rate for OPEB from 3.50 to 2.20 percent in the June 30, 2019 and 2020 actuarial reports, respectively.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (1.2%)	Current Discount Rate (2.20%)	1% Increase (3.20%)
Total OPEB liability	\$ 2,232,710	\$ 2,100,836	\$ 1,974,367

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	\$ 1,879,476	\$ 2,100,836	\$ 2,362,012

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB –

For the year ended June 30, 2020, the District recognized OPEB expense of \$297,713. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 192,274
Changes of assumptions	96,822	-
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	-	-
Total	<u>\$ 96,822</u>	<u>\$ 192,274</u>

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

Year Ending <u>June 30,</u>	
2021	\$ (8,367)
2022	\$ (8,367)
2023	\$ (8,367)
2024	\$ (8,367)
2025	\$ (8,367)
Thereafter	\$ (53,617)

Changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 12.3 years as of the June 30, 2020 measurement date. Experience gains and losses are amortized over a closed period equal to the average remaining service life of plan members, which is 12.1 years as of the June 30, 2020 measurement date.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - JOINT POWERS AGREEMENT

The District is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property/liability, and health and welfare insurance. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SIG, including selections of management and approval of operating budgets.

The JPA agreement for SIG provides that the SIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000, \$100,000 and \$500,000 for each insured event for workers' compensation, property and liability, respectively. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information for SIG at June 30, 2020:

Total assets	\$ 111,774,531
Total deferred outflows of resources - pensions	\$ 288,284
Total liabilities	\$ 41,450,340
Total deferred inflows of resources - pensions	\$ 73,223
Net position	\$ 70,539,252
Total revenues	\$ 98,672,583
Total expenses	\$ 94,629,709
Change in net position	\$ 4,042,874

NOTE 11 - CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 – COVID-19

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

REQUIRED SUPPLEMENTARY INFORMATION

AUBURN UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2020

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 6,215,302	\$ 5,695,829	\$ 5,472,351	\$ (223,478)
Local sources	<u>10,155,346</u>	<u>10,486,974</u>	<u>10,895,247</u>	<u>408,273</u>
Total LCFF	<u>16,370,648</u>	<u>16,182,803</u>	<u>16,367,598</u>	<u>184,795</u>
Federal sources	978,356	856,773	936,725	79,952
Other state sources	1,423,218	2,479,609	2,015,282	(464,327)
Other local sources	<u>1,339,569</u>	<u>1,356,062</u>	<u>1,413,690</u>	<u>57,628</u>
Total revenues	<u>20,111,791</u>	<u>20,875,247</u>	<u>20,733,295</u>	<u>(141,952)</u>
Expenditures:				
Current:				
Certificated salaries	8,490,566	8,580,301	8,580,461	(160)
Classified salaries	3,387,638	3,251,722	3,262,960	(11,238)
Employee benefits	4,779,229	5,307,564	4,805,104	502,460
Books and supplies	648,095	1,072,684	920,795	151,889
Contract services and operating expenditures	3,090,691	3,211,266	3,008,071	203,195
Other outgo	558,409	665,032	640,078	24,954
Capital outlay	<u>205,000</u>	<u>279,201</u>	<u>269,871</u>	<u>9,330</u>
Total expenditures	<u>21,159,628</u>	<u>22,367,770</u>	<u>21,487,340</u>	<u>880,430</u>
Deficiency of revenues under expenditures	<u>(1,047,837)</u>	<u>(1,492,523)</u>	<u>(754,045)</u>	<u>738,478</u>
Other financing sources (uses):				
Transfers in	331,750	338,152	320,351	(17,801)
Transfers out	<u>-</u>	<u>-</u>	<u>(98,009)</u>	<u>(98,009)</u>
Total other financing sources (uses)	<u>331,750</u>	<u>338,152</u>	<u>222,342</u>	<u>(115,810)</u>
Net change in fund balance	(716,087)	(1,154,371)	(531,703)	622,668
Fund balance, July 1, 2019	<u>4,398,388</u>	<u>4,398,388</u>	<u>4,398,388</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 3,682,301</u>	<u>\$ 3,244,017</u>	<u>\$ 3,866,685</u>	<u>\$ 622,668</u>

AUBURN UNION SCHOOL DISTRICT
CHARTER SCHOOL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2020

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 521,520	\$ 494,676	\$ 490,863	\$ (3,813)
Local sources	<u>765,170</u>	<u>914,262</u>	<u>920,050</u>	<u>5,788</u>
Total LCFF	<u>1,286,690</u>	<u>1,408,938</u>	<u>1,410,913</u>	<u>1,975</u>
Other state sources	77,838	126,021	102,038	(23,983)
Other local sources	<u>27,350</u>	<u>35,781</u>	<u>37,697</u>	<u>1,916</u>
Total revenues	<u>1,391,878</u>	<u>1,570,740</u>	<u>1,550,648</u>	<u>(20,092)</u>
Expenditures:				
Current:				
Certificated salaries	570,834	570,888	576,752	(5,864)
Classified salaries	171,014	185,584	184,694	890
Employee benefits	277,776	319,793	294,145	25,648
Books and supplies	25,410	72,490	57,492	14,998
Contract services and operating expenditures	<u>103,026</u>	<u>129,271</u>	<u>131,183</u>	<u>(1,912)</u>
Total expenditures	<u>1,148,060</u>	<u>1,278,026</u>	<u>1,244,266</u>	<u>33,760</u>
Excess of revenues over expenditures	<u>243,818</u>	<u>292,714</u>	<u>306,382</u>	<u>13,668</u>
Other financing uses:				
Transfers out	<u>(284,664)</u>	<u>(292,256)</u>	<u>(282,483)</u>	<u>9,773</u>
Total other financing uses	<u>(284,664)</u>	<u>(292,256)</u>	<u>(282,483)</u>	<u>9,773</u>
Net change in fund balance	(40,846)	458	23,899	23,441
Fund balance, July 1, 2019	<u>46,046</u>	<u>46,046</u>	<u>46,046</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 5,200</u>	<u>\$ 46,504</u>	<u>\$ 69,945</u>	<u>\$ 23,441</u>

See accompanying note to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2020

	Last 10 Fiscal Years		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 210,928	\$ 216,729	\$ 232,991
Interest	63,809	64,796	73,089
Change in assumptions	-	39,469	69,517
Differences between actual and expected experience	-	-	(209,596)
Benefit payments	<u>(106,288)</u>	<u>(110,539)</u>	<u>(73,841)</u>
Net change in total OPEB liability	168,449	210,455	92,160
Total OPEB liability, beginning of year	<u>1,629,772</u>	<u>1,798,221</u>	<u>2,008,676</u>
Total OPEB liability, end of year (a)	<u>\$ 1,798,221</u>	<u>\$ 2,008,676</u>	<u>\$ 2,100,836</u>
Covered employee payroll	\$ 13,204,960	\$ 13,558,096	\$ 13,753,623
Total OPEB liability as a percentage of covered-employee payroll	13.62%	14.82%	15.27%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

	State Teachers' Retirement Plan Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.017%	0.018%	0.016%	0.015%	0.016%	0.016%
District's proportionate share of the net pension liability	\$ 10,197,000	\$ 11,858,000	\$ 13,298,000	\$ 14,226,000	\$ 14,543,000	\$ 14,246,000
State's proportionate share of the net pension liability associated with the District	<u>6,157,000</u>	<u>6,272,000</u>	<u>7,571,000</u>	<u>8,416,000</u>	<u>8,327,000</u>	<u>7,772,000</u>
Total net pension liability	<u>\$ 16,354,000</u>	<u>\$ 18,130,000</u>	<u>\$ 20,869,000</u>	<u>\$ 22,642,000</u>	<u>\$ 22,870,000</u>	<u>\$ 22,018,000</u>
District's covered payroll	\$ 7,772,000	\$ 8,175,000	\$ 8,194,000	\$ 8,153,000	\$ 8,503,000	\$ 8,424,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.00%	145.00%	162.29%	174.49%	171.00%	169.11%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

The amounts presented for each fiscal year were determined as of the year ended that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.026%	0.027%	0.027%	0.025%	0.025%	0.026%
District's proportionate share of the net pension liability	\$ 2,929,000	\$ 3,908,000	\$ 5,257,000	\$ 6,028,000	\$ 6,679,000	\$ 7,515,000
District's covered payroll	\$ 2,708,000	\$ 2,938,000	\$ 3,193,000	\$ 3,129,000	\$ 3,346,000	\$ 3,559,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.16%	133.02%	164.64%	192.65%	199.61%	211.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	74.02%	73.89%	71.87%	70.85%	70.05%

The amounts presented for each fiscal year were determined as of the year ended that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2020

	State Teachers' Retirement Plan Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 725,959	\$ 879,224	\$ 1,019,461	\$ 1,226,971	\$ 1,371,454	\$ 1,495,621
Contributions in relation to the contractually required contribution	<u>(725,959)</u>	<u>(879,224)</u>	<u>(1,019,461)</u>	<u>(1,226,971)</u>	<u>(1,371,454)</u>	<u>(1,495,621)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,175,000	\$ 8,194,000	\$ 8,153,000	\$ 8,503,000	\$ 8,424,000	\$ 8,746,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*

All years prior to 2015 are not available.

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 345,845	\$ 378,323	\$ 448,437	\$ 519,693	\$ 642,913	\$ 713,127
Contributions in relation to the contractually required contribution	<u>(345,845)</u>	<u>(378,323)</u>	<u>(448,437)</u>	<u>(519,693)</u>	<u>(642,913)</u>	<u>(713,127)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,938,000	\$ 3,193,000	\$ 3,129,000	\$ 3,346,000	\$ 3,559,000	\$ 3,616,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

AUBURN UNION SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - 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. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Charter School Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in the District's Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for OPEB was 3.80, 3.50 and 2.20 percent in the June 30, 2018, 2019 and 2020 actuarial reports, respectively.

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>				
	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

AUBURN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2020

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Mello-Roos Capital Project Fund	Mello-Roos Debt Service Fund	Total
ASSETS								
Cash and investments:								
Cash in County Treasury	\$ 19,426	\$ 1,686	\$ 35,606	\$ 48	\$ 36	\$ 389	\$ 48,153	\$ 105,344
Cash awaitng deposit	2,640	-	27,779	-	-	-	-	30,419
Cash on hand and in banks	2,500	-	-	-	-	-	-	2,500
Receivables	320,444	2	23	-	-	-	39	320,508
Due from Other Funds	20,933	-	-	-	-	-	-	20,933
Stores inventory	61,625	-	-	-	-	-	-	61,625
Prepaid Expenditures	-	-	800	-	-	-	-	800
Total assets	<u>\$ 427,568</u>	<u>\$ 1,688</u>	<u>\$ 64,208</u>	<u>\$ 48</u>	<u>\$ 36</u>	<u>\$ 389</u>	<u>\$ 48,192</u>	<u>\$ 542,129</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	4,708	-	3,800	-	-	-	-	8,508
Due to other funds	37,868	-	-	-	-	-	-	37,868
Unearned Revenue	54,000	-	-	-	-	-	-	54,000
Total liabilities	<u>96,576</u>	<u>-</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,376</u>
Fund balances:								
Nonspendable	61,625	-	800	-	-	-	-	62,425
Restricted	269,367	1,688	59,608	48	36	389	48,192	379,328
Total fund balance	<u>330,992</u>	<u>1,688</u>	<u>60,408</u>	<u>48</u>	<u>36</u>	<u>389</u>	<u>48,192</u>	<u>441,753</u>
Total liabilities and fund balances	<u>\$ 427,568</u>	<u>\$ 1,688</u>	<u>\$ 64,208</u>	<u>\$ 48</u>	<u>\$ 36</u>	<u>\$ 389</u>	<u>\$ 48,192</u>	<u>\$ 542,129</u>

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2020

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Mello-Roos Capital Project Fund	Mello-Roos Debt Service Fund	Total
Revenues:								
Federal sources	\$ 611,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,948
Other state sources	47,444	-	-	-	-	-	-	47,444
Other local sources	140,678	28	337,208	-	1	6	394,563	872,484
Total revenues	800,070	28	337,208	-	1	6	394,563	1,531,876
Expenditures:								
Current:								
Classified salaries	350,808	-	-	-	-	-	-	350,808
Employee benefits	122,159	-	-	-	-	-	-	122,159
Books and supplies	375,878	-	-	-	-	-	-	375,878
Contract services and operating expenditures	42,172	16,041	16,702	-	-	-	-	74,915
Capital outlay	17,834	-	-	-	-	-	-	17,834
Debt Service:								
Interest	-	-	-	-	-	-	147,771	147,771
Total expenditures	908,851	16,041	16,702	-	-	-	147,771	1,089,365
(Deficiency) excess of revenues								
(Under) over expenditures	(108,781)	(16,013)	320,506	-	1	6	246,792	442,511
Other financing sources (uses):								
Transfers in	20,933	-	-	-	-	-	-	20,933
Transfers out	(37,868)	-	(350,000)	-	-	-	(250,000)	(637,868)
Total other financing sources (uses)	(16,935)	-	(350,000)	-	-	-	(250,000)	(616,935)
Net change in fund balances	(125,716)	(16,013)	(29,494)	-	1	6	(3,208)	(174,424)
Fund balance, July 1, 2019	456,708	17,701	89,902	48	35	383	51,400	616,177
Fund balance, June 30, 2020	\$ 330,992	\$ 1,688	\$ 60,408	\$ 48	\$ 36	\$ 389	\$ 48,192	\$ 441,753

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
ORGANIZATION
June 30, 2020

Auburn Union School District was established in 1852 and is comprised of an area of approximately 64 square miles located in Placer County. There were no changes in the District's boundaries in the current year. The District is currently operating three elementary schools, one elementary charter school and one intermediate school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Michelle Sierra-Sammons	President	2022
Woody Hoffmann	Clerk	2020
Julann Brown	Member	2022
Lashaun Byer	Member	2020
Debbie Goodrich	Member	2022

ADMINISTRATION

Amber Lee-Alva
Superintendent

Scott Bentley
Chief Business Official

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2020

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Certificate Number:	ED2620A5	F96578B3
Transitional Kindergarten through Third	648	648
Fourth through Sixth	530	530
Seventh and Eighth	451	451
Special Education	<u>4</u>	<u>4</u>
Subtotal Elementary	<u>1,633</u>	<u>1,633</u>
 <u>Alta Vista Community Charter</u>		
Certificate Number:	865DAB97	8E5EE664
Classroom-Based:		
Transitional Kindergarten through Third	104	104
Fourth through Sixth	45	45
Nonclassroom-Based:		
Transitional Kindergarten through Third	3	3
Fourth through Sixth	<u>1</u>	<u>1</u>
Subtotal Alta Vista Community Charter	<u>153</u>	<u>153</u>
District Totals	<u><u>1,786</u></u>	<u><u>1,786</u></u>

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2020

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2019-2020 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
District:				
Kindergarten	36,000	45,900	180	In Compliance
Grade 1	50,400	52,915	180	In Compliance
Grade 2	50,400	52,915	180	In Compliance
Grade 3	50,400	52,915	180	In Compliance
Grade 4	54,000	54,450	180	In Compliance
Grade 5	54,000	54,450	180	In Compliance
Grade 6	54,000	57,306	180	In Compliance
Grade 7	54,000	57,306	180	In Compliance
Grade 8	54,000	57,332	180	In Compliance
Alta Cista Community Charter:				
Kindergarten	36,000	46,125	180	In Compliance
Grade 1	50,400	54,345	180	In Compliance
Grade 2	50,400	54,345	180	In Compliance
Grade 3	50,400	54,345	180	In Compliance
Grade 4	54,000	54,345	180	In Compliance
Grade 5	54,000	54,345	180	In Compliance

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA: Basic Local Assistance Entitlement, Part B, Section 611 (Formerly 94-142)	13379	\$ 414,268
84.173	IDEA: Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	18,454
84.027A	IDEA: Special Education Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	13682	<u>21,045</u>
	Subtotal Special Education Cluster		<u>453,767</u>
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	268,897
84.938	Temporary Emergency Impact Aid for Displaced Students	15432	12,750
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	<u>94,910</u>
	Total U.S. Department of Education		<u>830,324</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Health Care Services</u>			
	Medicaid Cluster:		
93.778	Medi-Cal Collaborative	10013	51,515
93.778	Medi-Cal Administrative Activities	10060	<u>61,826</u>
	Total U.S. Department of Health and Human Services and Medicaid Cluster		113,341
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.55	National School Lunch Program	13391	<u>611,948</u>
	Total Federal Programs		<u>\$ 1,555,613</u>

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

There were no audit adjustments proposed to any funds of the District.

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2020
(UNAUDITED)

	(Adopted Budget) <u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 19,981,608	\$ 21,053,646	\$ 21,448,070	\$ 17,902,625
Expenditures	21,228,411	21,487,340	22,581,052	15,983,221
Other uses and transfers out	138,089	98,009	102,909	318,689
Total outgo	21,366,500	21,585,349	22,683,961	16,301,910
Change in fund balance	\$ (1,384,892)	\$ (531,703)	\$ (1,235,891)	\$ 1,600,715
Ending fund balance	\$ 2,481,793	\$ 3,866,685	\$ 4,398,388	\$ 5,634,279
Available reserves	\$ 637,521	\$ 646,168	\$ 676,864	\$ 476,956
Designated for economic uncertainties	\$ 637,521	\$ 646,168	\$ 676,864	\$ 476,956
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as percentages of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ 63,931,411	\$ 64,298,654	\$ 63,792,924	\$ 62,689,213
Average daily attendance (excluding Charters) at P-2	<u>1,590</u>	<u>1,633</u>	<u>1,658</u>	<u>1,113</u>

The General Fund balance has decreased by \$166,879 over the past three fiscal years. The District projects a decrease of \$1,384,892 for the year ending June 30, 2021. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2020, the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2020-2021 fiscal year.

Total long-term liabilities have increased by \$1,609,441 over the past two years.

Average daily attendance has increased by 520 over the past two years due to the reorganization of E.V. Cain Middle School. The District anticipates an decrease of 43 in ADA during the fiscal year ending June 30, 2021.

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2020

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
1429 - Alta Vista Community Charter School	Included in the Charter School Fund

See accompanying notes to the supplementary information.

AUBURN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

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

B - Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206. The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification for the District and the Charter school was submitted to the SSPI on September 11, 2020.

C - Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Auburn Union School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

CFDA Description	<u>Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 1,548,673
Add: Medi-Cal Collaborative funds spent from prior year awards	93.778	<u>6,940</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 1,555,613</u>

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2020-2021 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

(Continued)

AUBURN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2020, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Auburn Union School District
Auburn, California

Report on Compliance with State Laws and Regulations

We have audited Auburn Union School District's compliance with the types of compliance requirements described in the State of California's *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2020.

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

(Continued)

The District did not offer an Independent Study program in the current year; therefore, we did not perform any testing of Independent Study.

The District did not offer a Continuation Education program in the current year; therefore, we did not perform any testing of Continuation Education.

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

The District did not offer Juvenile Court Schools in the current year; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not offer a Middle or Early College High Schools program in the current year; therefore, we did not perform any testing of Middle or Early College High Schools.

The District did not operate an Apprenticeship: Related and Supplemental Instruction Program in the current year; therefore, we did not perform any procedures related to the Apprenticeship: Related and Supplemental Instruction Program.

The District did not elect to operate as a District of Choice in the current year; therefore, we did not perform any procedures related to District of Choice.

The District did not have any expenditures in the current year related to the California Clean Energy Jobs Act; therefore, we did not perform any procedures related to the program.

The District did not operate a Before School Education and Safety Program in the current year; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not offer an Independent Study-Course Based program in the current year; therefore, we did not perform any procedures related to this program.

The District's reported ADA for Charter Schools - Nonclassroom-Based Instruction/Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Charter Schools - Nonclassroom-Based Instruction/Independent Study or Charter Schools - Determination of Funding for Nonclassroom-Based Instruction.

The Charter School Facilities Grant Program is not applicable to the District; therefore, we did not perform any procedures related to the Charter School Facilities Grant Program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Auburn Union School District's compliance with state laws and regulations as listed above 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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Auburn Union School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Auburn Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Auburn Union School District's compliance.

Opinion on Compliance with State Laws and Regulations

In our opinion, Auburn Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Sacramento, California
March 4, 2021

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Auburn Union School District
Auburn, 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 Auburn Union School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Auburn Union School District's basic financial statements, and have issued our report thereon dated March 4, 2021.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
March 4, 2021

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Auburn Union School District
Auburn, California

Report on Compliance for the Major Federal Program

We have audited Auburn Union 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 Auburn Union School District's major federal program for the year ended June 30, 2020. Auburn Union School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Auburn Union School District's major federal program 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; 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 Auburn Union 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 the major federal program. However, our audit does not provide a legal determination of Auburn Union School District's compliance.

Opinion on the Major Federal Program

In our opinion, Auburn Union 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 its major federal program for the year ended June 30, 2020.

(Continued)

Report on Internal Control Over Compliance

Management of Auburn Union 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 Auburn Union 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 Auburn Union School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Crowe LLP

Crowe LLP

Sacramento, California
March 4, 2021

FINDINGS AND RECOMMENDATIONS

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A
and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of auditors' report issued on compliance for
state programs: Unmodified

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

AUBURN UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

AUBURN UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2020

No matters were reported.