



Del Norte County Schools

County of Del Norte
Crescent City, California

Audit Report

June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Del Norte County Schools

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June 30, 2019

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Independent Auditor's Report

To the Board of Education
Del Norte County Schools
Crescent City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Del Norte County Schools (District), which comprises the Del Norte County Office of Education, the Del Norte County Unified School District, and the Castle Rock Charter School, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Del Norte County Schools as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Requires Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying combining statements as supplementary information and additional supplementary information identified in the table of contents, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of Del Norte County Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wilkinson-Hadley King + Co LLP

El Cajon, California
January 31, 2020

Del Norte County Schools
Management's Discussion and Analysis
June 30, 2019
(Unaudited)

The discussion and analysis of Del Norte County Schools' financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2017-18 to 2018-19 was \$2.5 million (6.5%). The increase is due to rising property tax values and the State of California funding the LCFF gap during the 2018-19 fiscal year.
- The general fund expenditures decreased by \$0.2 million or 0.5% over the previous year amount.
- General fund revenues and other sources exceeded expenses and other uses by \$0.1 million.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Alpine Union School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary 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. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2018-2019?"

The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

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 to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the County School Service Fund, the Charter School Fund, and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self supporting. The District has three proprietary funds, the Cafeteria Enterprise Fund, the Warehouse Revolving Fund, and the Self-Insurance Fund. These funds are reported using a full accrual accounting method.

Fiduciary Funds

The District is the trustee, or fiduciary, for the student activities funds and the Trust Scholarship Fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was \$(5.99) million at June 30, 2019. Of this amount, unrestricted net position was (\$37.7) million, net investment in capital assets was \$27.5 million, and restricted net position was \$4.28 million. A comparative analysis of government-wide statement of net position is presented in Table 1.

The District's net position decreased \$0.17 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 72% of governmental expenses. The administrative activities of the District accounted for just 7% of governmental costs. The remaining 21% was spent in the areas of plant services and other expenses. (See Figure 2)

Table 1
Comparative Statement of Net Position

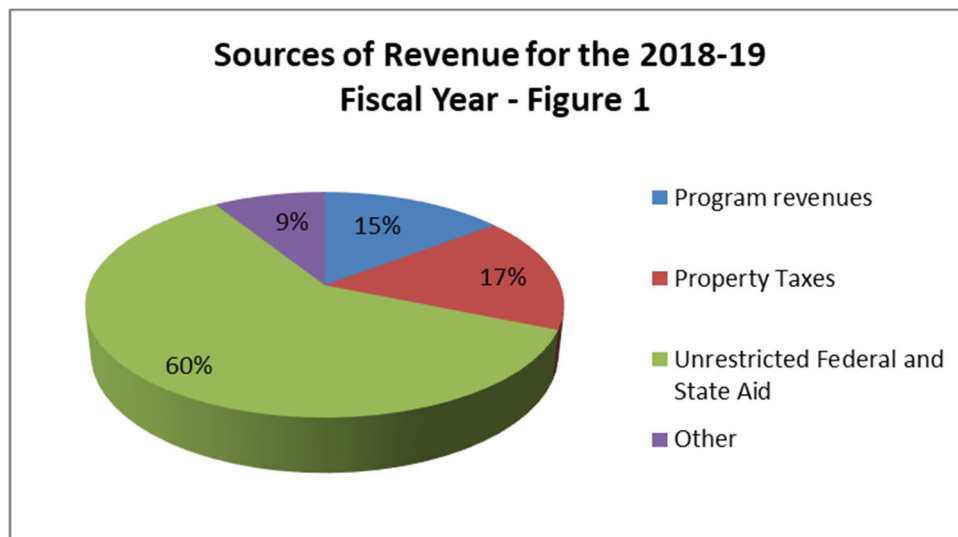
	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets				
Cash	\$ 14,270,655	\$ 15,028,234	\$ -	\$ -
Accounts receivable	3,645,597	2,104,119	561,207	349,146
Internal Balances	80,574	-	(80,574)	-
Inventory	59,141	89,536	-	-
Prepaid expenses	257,835	124,386	-	-
Capital assets, net	47,862,863	46,455,996	-	-
Total Assets	<u>\$ 66,176,665</u>	<u>\$ 63,802,271</u>	<u>\$ 480,633</u>	<u>\$ 349,146</u>
Deferred Outflows of Resources				
Deferred outflows of resources - pensions	\$ 13,548,909	\$ 14,053,285	\$ 730,029	\$ -
Deferred outflows of resources - OPEB	568,897	605,977	-	-
Deferred outflows of resources - other	30,770	-	-	-
Total Deferred Outflows of Resources	<u>\$ 14,148,576</u>	<u>\$ 14,659,262</u>	<u>\$ 730,029</u>	<u>\$ -</u>
Liabilities				
Accounts payable and other current liabilities	4,285,481	2,895,778	480,543	349,146
Unearned revenue	561,282	558,243	-	-
Long-term liabilities	74,557,364	72,970,374	978,222	-
Total Liabilities	<u>79,404,127</u>	<u>76,424,395</u>	<u>1,458,765</u>	<u>349,146</u>
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	\$ 6,644,195	\$ 7,854,907	\$ 19,496	\$ -
Total Deferred Inflows of Resources	<u>\$ 6,644,195</u>	<u>\$ 7,854,907</u>	<u>\$ 19,496</u>	<u>\$ -</u>
Net Position				
Net investment in capital assets	\$ 27,504,106	\$ 29,125,072	\$ -	\$ -
Restricted	4,280,439	4,300,190	-	-
Unrestricted	(37,507,656)	(39,243,031)	(267,599)	-
Total Net Position	<u>\$ (5,723,111)</u>	<u>\$ (5,817,769)</u>	<u>\$ (267,599)</u>	<u>\$ -</u>

**Table 2
Comparative Statement of Activities
Year Ended,**

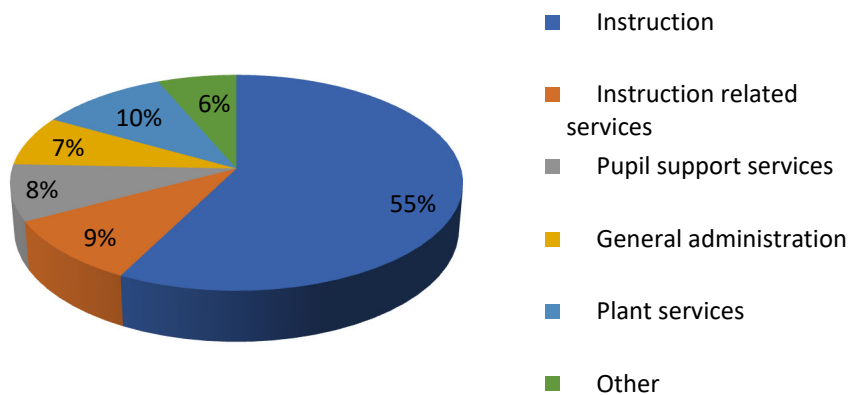
	Governmental Activities		Business Type Activities	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues				
Program revenues				
Charges for services	\$ -	\$ -	\$ 62,467	\$ 129,657
Operating grants and contributions	8,576,470	8,147,165	2,387,943	2,057,807
Capital grants and contributions	6,004	4,672	-	-
General revenues				
Taxes levied for general purposes	8,691,925	8,352,533	-	-
Taxes levied for debt service	991,199	1,040,569	-	-
Taxes levied for other specific purposes	170,476	154,494	-	-
Federal and state aid not restricted to specific purposes	35,379,640	34,432,483	-	-
Interest and investment earnings	254,340	184,442	-	-
Miscellaneous	2,651,625	2,744,752	-	-
Internal transfers	(135,841)	(218,980)	135,841	162,788
Total Revenues	<u>56,585,838</u>	<u>54,842,130</u>	<u>2,586,251</u>	<u>2,350,252</u>
Expenses				
Instruction	32,489,334	30,975,163	-	-
Instruction related services	5,492,074	4,824,240	-	-
Pupil support services	4,756,888	1,322,487	2,853,850	2,350,252
General administration	4,248,585	3,530,427	-	-
Plant services	5,883,804	7,096,797	-	-
Other	3,620,495	6,692,337	-	-
Total Expenses	<u>56,491,180</u>	<u>54,441,451</u>	<u>2,853,850</u>	<u>2,350,252</u>
Increase (Decrease) in Net Position	94,658	400,679	(267,599)	-
Net Position - Beginning Balance	(5,817,769)	(6,218,448)	-	-
Net Position - Ending Balance	<u>\$ (5,723,111)</u>	<u>\$ (5,817,769)</u>	<u>\$ (267,599)</u>	<u>\$ -</u>

GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District’s governmental activities this year was \$56.5 million and the cost of business type activities was \$2.9 million. The amount that our local taxpayers financed for these activities through property taxes was \$9.9 million. (See Figure 1).



Expenses for the 2018-19 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District’s operations in more detail than the government-wide statements. The District’s individual fund statements provide information on inflows and outflows and balances of spendable resources. The District’s Governmental Funds reported a combined fund balance of \$13.1 million, a decrease of \$0.5 million from the previous fiscal year’s combined ending balance of \$13.6 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$0.2 million.

The District ended the year with a \$0.1 million increase to the general fund ending balance. The State recommends available reserves of 3% of District general fund expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. Table 3 demonstrates a comparative Schedule of Capital Assets.

Table 3
Comparative Schedule of Capital Assets
June 30,

	<u>2019</u>	<u>2018</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 1,631,527	\$ 1,631,527	\$ 0	0.0%
Land Improvements	2,144,394	2,144,394	0	0.0%
Buildings & Improvements	72,211,514	69,593,841	2,617,673	3.8%
Equipment	8,210,538	8,127,663	82,875	1.0%
Less Accumulated Depreciation for				
Land Improvements	(2,055,615)	(2,055,615)	0	0.0%
Buildings & Improvements	(30,110,476)	(28,947,963)	(1,162,513)	4.0%
Equipment	(4,169,051)	(4,037,850)	(131,201)	100.0%
Total	<u>\$ 47,862,831</u>	<u>\$ 46,455,997</u>	<u>\$ 1,406,834</u>	<u>3.0%</u>

Long-Term Debt

At June 30, 2019 the District had \$20.3 million in long-term debt outstanding. Table 4 shows a comparative schedule of long-term debt items.

Table 4
Comparative Schedule of Long-Term Debt
June 30,

	<u>2019</u>	<u>2018</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
General Obligation Bonds	\$ 18,355,307	\$ 18,649,629	\$ (294,322)	-1.6%
Capital Leases	<u>2,003,420</u>	<u>2,630,864</u>	<u>(627,444)</u>	<u>-23.8%</u>
Total Long-Term Debt	<u>\$ 20,358,727</u>	<u>\$ 21,280,493</u>	<u>\$ (921,766)</u>	<u>-4.3%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturns and surpluses impact the District's future dramatically. The financial well-being of the District is tied in large measure to the state funding formula which is currently not funding the District at 100%.

The latest enrollment projections indicate a downward trend for the next two school years. Student enrollment and attendance are primary factors in the computation of most funding formulae for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the business office, at Del Norte County Schools, 301 W Washington Blvd., Crescent City, California 95531.

Basic Financial Statements

Del Norte County Schools

Statement of Net Position

June 30, 2019

	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash	\$ 14,270,655	\$ -	\$ 14,270,655
Receivables	3,645,597	561,207	4,206,804
Interfund Receivables/(Payables)	80,574	(80,574)	-
Prepaid Expenses	257,835	-	257,835
Stores Inventory	59,141	-	59,141
Capital Assets:			-
Land	1,631,528	-	1,631,528
Land Improvements	2,144,394	-	2,144,394
Buildings	72,211,514	-	72,211,514
Equipment	8,210,538	-	8,210,538
Less Accumulated Depreciation	(36,335,141)	-	(36,335,141)
Total Assets	<u>66,176,635</u>	<u>480,633</u>	<u>66,657,268</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,148,576</u>	<u>730,029</u>	<u>14,878,605</u>
LIABILITIES			
Accounts Payable	4,285,481	480,543	4,766,024
Unearned Revenue	561,282	-	561,282
Long-Term Liabilities:			
Due Within One Year	1,311,623	-	1,311,623
Due In More Than One Year	73,245,741	978,222	74,223,963
Total Liabilities	<u>79,404,127</u>	<u>1,458,765</u>	<u>80,862,892</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,644,195</u>	<u>19,496</u>	<u>6,663,691</u>
NET POSITION			
Net Investment in Capital Assets	27,504,106	-	27,504,106
Restricted For:			
Capital Projects	1,706,476	-	1,706,476
Educational Programs	768,610	-	768,610
Debt Service	768,478	-	768,478
Other Purposes (Expendable)	779,040	-	779,040
Other Purposes (Nonexpendable)	257,835	-	257,835
Unrestricted	(37,507,656)	(267,599)	(37,775,255)
Total Net Position	<u>\$ (5,723,111)</u>	<u>\$ (267,599)</u>	<u>\$ (5,990,710)</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools
Statement of Activities
For the Year Ended June 30, 2019

Functions	Primary Government						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 32,489,334	\$ -	\$ 5,293,438	\$ 6,004	\$ (27,189,892)		\$ (27,189,892)
Instruction-Related Services:							
Instructional Supervision and Administration	3,008,241	-	1,053,735	-	(1,954,506)		(1,954,506)
Instructional Library, Media and Technology	699,010	-	138,550	-	(560,460)		(560,460)
School Site Administration	1,784,823	-	417,268	-	(1,367,555)		(1,367,555)
Pupil Services:							
Home-to-School Transportation	1,589,066	-	63,683	-	(1,525,383)		(1,525,383)
Food Services	11,993	-	690	-	(11,303)		(11,303)
All Other Pupil Services	3,155,829	-	754,883	-	(2,400,946)		(2,400,946)
General Administration:							
Centralized Data Processing	858,591	-	30,163	-	(828,428)		(828,428)
All Other General Administration	3,389,994	-	512,921	-	(2,877,073)		(2,877,073)
Plant Services	5,883,804	-	265,415	-	(5,618,389)		(5,618,389)
Ancillary Services	74,999	-	2,450	-	(72,549)		(72,549)
Community Services	13,299	-	-	-	(13,299)		(13,299)
Enterprise Activities	(83,063)	-	-	-	83,063		83,063
Interest on Long-Term Debt	784,510	-	-	-	(784,510)		(784,510)
Debt Issuance Costs and Discounts	1,092,417	-	-	-	(1,092,417)		(1,092,417)
Transfers Between Agencies	444,619	-	43,274	-	(401,345)		(401,345)
Depreciation (Unallocated)	1,293,714	-	-	-	(1,293,714)		(1,293,714)
Total Governmental Activities	<u>56,491,180</u>	<u>-</u>	<u>8,576,470</u>	<u>6,004</u>	<u>(47,908,706)</u>		<u>(47,908,706)</u>
Business-Type Activities							
Food Service Program	2,853,850	62,467	2,387,943	-		(403,440)	(403,440)
Total Business-Type Activities	<u>2,853,850</u>	<u>62,467</u>	<u>2,387,943</u>	<u>-</u>		<u>(403,440)</u>	<u>(403,440)</u>
Total	<u>\$ 59,345,030</u>	<u>\$ 62,467</u>	<u>\$ 10,964,413</u>	<u>\$ 6,004</u>	<u>\$ (47,908,706)</u>	<u>\$ (403,440)</u>	<u>\$ (48,312,146)</u>
General Revenues							
Taxes and Subventions:							
Property Taxes, Levied for General Purposes					\$ 8,691,925	\$ -	\$ 8,691,925
Property Taxes, Levied for Debt Service					991,199	-	991,199
Property Taxes, Levied for Other Specific Purposes					170,476	-	170,476
Federal and State Aid Not Restricted for Specific Purposes					35,379,640	-	35,379,640
Interest and Investment Earnings					254,340	-	254,340
Interagency Revenue					1,067,129	-	1,067,129
Miscellaneous					1,584,496	-	1,584,496
Internal Transfers					(135,841)	135,841	-
Total General Revenues					<u>48,003,364</u>	<u>135,841</u>	<u>46,554,709</u>
Change in Net Position					94,658	(267,599)	(1,757,437)
Net Position - Beginning of Year					(5,817,769)	-	(5,817,769)
Net Position - Ending					<u>\$ (5,723,111)</u>	<u>\$ (267,599)</u>	<u>\$ (7,575,206)</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	County School Service Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Investments	\$ 7,797,439	\$ 1,028,220	\$ 994,673	\$ 1,834,901	\$ 2,055,629	\$ 13,710,862
Accounts Receivable	2,474,772	721,283	30,980	-	418,562	3,645,597
Due From Other Funds	217,569	-	-	-	50,810	268,379
Prepaid Expenditures	130,753	99,547	27,535	-	-	257,835
Total Assets	<u>\$ 10,620,533</u>	<u>\$ 1,849,050</u>	<u>\$ 1,053,188</u>	<u>\$ 1,834,901</u>	<u>\$ 2,525,001</u>	<u>\$ 17,882,673</u>
LIABILITIES AND FUND BALANCE:						
Liabilities						
Accounts Payable	\$ 3,266,231	\$ 122,507	\$ 15,087	\$ 128,425	\$ 238,865	\$ 3,771,115
Overdrafts	-	-	-	-	203,954	203,954
Due To Other Funds	186,650	9,217	-	-	1,155	197,022
Unearned Revenue	383,515	113,944	-	-	63,823	561,282
Total Liabilities	<u>3,836,396</u>	<u>245,668</u>	<u>15,087</u>	<u>128,425</u>	<u>507,797</u>	<u>4,733,373</u>
Fund Balance						
Nonspendable	130,753	99,547	27,535	-	-	257,835
Restricted	1,004,073	200,967	264,141	1,706,476	846,947	4,022,604
Committed	-	-	-	-	154,177	154,177
Assigned	2,122,734	581,311	746,426	-	1,127,647	4,578,118
Unassigned	3,526,577	721,557	-	-	(111,567)	4,136,567
Total Fund Balance	<u>6,784,137</u>	<u>1,603,382</u>	<u>1,038,102</u>	<u>1,706,476</u>	<u>2,017,204</u>	<u>13,149,301</u>
Total Liabilities and Fund Balance	<u>\$ 10,620,533</u>	<u>\$ 1,849,050</u>	<u>\$ 1,053,189</u>	<u>\$ 1,834,901</u>	<u>\$ 2,525,001</u>	<u>\$ 17,882,674</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2019

Total fund balances, governmental funds: \$ 13,149,301

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	84,197,974	
Accumulated depreciation	<u>(36,335,141)</u>	
	Net	47,862,833

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in deferred outflows of resources on the statement of net position are: 30,770

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (301,196)

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

General obligation bonds payable	18,355,307	
Capital leases payable	2,003,420	
Net pension liability	46,827,560	
Total OPEB liability	6,901,541	
Compensated absences	<u>349,778</u>	
	Total	(74,437,606)

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Continued
June 30, 2019

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

Deferred outflows of resources relating to pensions	13,454,652	
Deferred inflows of resources relating to pensions	<u>(6,641,671)</u>	
Net		6,812,981

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

Deferred outflows of resources relating to OPEB	568,897	
Deferred inflows of resources relating to OPEB	<u>-</u>	
Net		568,897

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

590,909

Total net position, governmental activities:

\$ (5,723,111)

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2019

	General Fund	County School Service Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
LCFF State Apportionment	\$ 21,035,566	\$ 2,112,408	\$ 2,756,165	\$ -	\$ -	\$ 25,904,139
Education Protection Account Funds	5,526,099	789,370	604,277	-	-	6,919,746
Property Taxes	8,172,798	45,644	-	-	991,199	9,209,641
Federal Revenue	3,405,304	913,379	-	-	651,283	4,969,966
Other State Revenue	6,037,326	1,019,157	440,035	2,903	1,116,732	8,616,153
Interest Income	208,874	9,515	27,320	45,408	18,188	309,305
Other Local Revenue	3,800,406	1,047,393	1,265	-	197,643	5,046,707
Total Revenues	48,186,373	5,936,866	3,829,062	48,311	2,975,045	60,975,657
EXPENDITURES:						
Current Expenditures:						
Instruction	28,932,830	1,880,258	2,375,485	-	742,875	33,931,448
Instruction-Related Services	4,092,629	790,745	701,577	-	250,657	5,835,608
Pupil Services	4,234,449	699,922	90,205	-	-	5,024,576
Ancillary Services	77,619	-	-	-	-	77,619
Community Services	13,299	-	-	-	-	13,299
Enterprise Activities	-	-	-	-	-	-
General Administration	2,441,403	1,694,805	213,273	-	58,446	4,407,927
Plant Services	5,500,556	86	57,575	6,041	518,283	6,082,541
Other Outgo - Transfers Between Agencies	-	38,139	-	-	406,480	444,619
Other Outgo - Debt Issuance Costs	372,579	182,920	522,223	6,825	6,686	1,091,233
Capital Outlay	113,989	-	-	2,582,697	3,673	2,700,359
Debt Service:						
Principal	-	-	-	-	917,444	917,444
Interest	-	-	-	-	807,914	807,914
Total Expenditures	45,779,353	5,286,875	3,960,338	2,595,563	3,712,458	61,334,587
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,407,020	649,991	(131,276)	(2,547,252)	(737,413)	(358,930)
OTHER FINANCING SOURCES (USES):						
Transfers In	-	71,732	-	304,159	2,310,059	2,685,950
Transfers Out	(2,284,409)	(9,217)	-	-	(537,382)	(2,831,008)
Other Sources	-	-	-	-	-	-
Other Uses	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(2,284,409)	62,515	-	304,159	1,772,677	(145,058)
FUND BALANCE, BEGINNING OF YEAR	6,661,526	890,876	1,169,378	3,949,569	981,940	13,653,289
FUND BALANCE, END OF YEAR	\$ 6,784,137	\$ 1,603,382	\$ 1,038,102	\$ 1,706,476	\$ 2,017,204	\$ 13,149,301

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2019

Total change in fund balances, governmental funds: \$ (503,988)

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

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

Expenditures for capital outlay	2,700,548	
Depreciation expense	<u>(1,293,714)</u>	
	Net	1,406,834

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 917,444

Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is: (1,184)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (19,601)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding for the period was: 4,322

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities, Continued
For the Year Ended June 30, 2019

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	111,383
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(1,476,603)
Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	(435,600)
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	<u>91,651</u>
Change in net position of governmental activities:	<u><u>\$ 94,658</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Statement of Net Position – Proprietary Funds

June 30, 2019

	Enterprise	Internal Service Funds		
	Fund	Warehouse	Self-Insurance	Total Internal
	Cafeteria Fund	Revolving	Fund	Service Funds
		Fund		
ASSETS:				
Current Assets:				
Cash and Investments	\$ -	\$ -	\$ 559,793	\$ 559,793
Accounts Receivable	561,207	-	-	-
Due From Other Funds	135,841	9,217	-	9,217
Stores Inventory	-	59,141	-	59,141
Prepaid Expenses	-	-	-	-
Total Assets	<u>\$ 697,048</u>	<u>\$ 68,358</u>	<u>\$ 559,793</u>	<u>\$ 628,151</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows of Resources Related to Pension	\$ 730,029	\$ 94,257	\$ -	\$ 94,257
Deferred Outflows of Resources Related to OPEB	-	-	-	-
Total Deferred Outflows of Resources	<u>\$ 730,029</u>	<u>\$ 94,257</u>	<u>\$ -</u>	<u>\$ 94,257</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 30,308	\$ 92	\$ -	\$ 92
Overdrafts	450,235	9,125	-	9,125
Due to other funds	216,415	-	-	-
Unearned revenue	-	-	-	-
Total Current Liabilities	<u>696,958</u>	<u>9,217</u>	<u>-</u>	<u>9,217</u>
Noncurrent Liabilities				
Net Pension Liability	825,758	106,919	-	106,919
Total OPEB Liability	152,464	12,839	-	12,839
Compensated Absences	-	-	-	-
Total Noncurrent Liabilities	<u>978,222</u>	<u>119,758</u>	<u>-</u>	<u>119,758</u>
Total Liabilities	<u>\$ 1,675,180</u>	<u>\$ 128,975</u>	<u>\$ -</u>	<u>\$ 128,975</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows of Resources Related to Pension	\$ 19,496	\$ 2,524	\$ -	\$ 2,524
Deferred Inflows of Resources Related to OPEB	-	-	-	-
Total Deferred Inflows of Resources	<u>\$ 19,496</u>	<u>\$ 2,524</u>	<u>\$ -</u>	<u>\$ 2,524</u>
NET POSITION				
Net Investment in Capital Assets	-	-	-	\$ -
Restricted	-	-	-	-
Unrestricted (Deficit)	<u>(267,599)</u>	<u>31,116</u>	<u>559,793</u>	<u>590,909</u>
Total Net Position	<u>\$ (267,599)</u>	<u>\$ 31,116</u>	<u>\$ 559,793</u>	<u>\$ 590,909</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

For the Year Ended June 30, 2019

	Enterprise Fund	Internal Service Funds		
	Cafeteria Fund	Warehouse Revolving Fund	Self-Insurance Fund	Total Internal Service Funds
OPERATING REVENUE				
Federal Grants	\$ 2,254,247	\$ -	\$ -	\$ -
State Grants	133,656	-	-	-
Food Service Sales	62,467	-	-	-
Other Sales	-	47,580	-	47,580
In-District Premiums/Contributions	-	-	113,339	113,339
Total Operating Revenue	<u>2,450,370</u>	<u>47,580</u>	<u>113,339</u>	<u>160,919</u>
OPERATING EXPENSES				
Salaries and Benefits	1,407,071	119,082	-	119,082
Supplies and Materials	1,286,048	(5,597)	-	(5,597)
Services and Other Operating Expenses	160,691	48	-	48
Total Operating Expenses	<u>2,853,810</u>	<u>113,533</u>	<u>-</u>	<u>113,533</u>
Operating Income/(Loss)	<u>(403,440)</u>	<u>(65,953)</u>	<u>113,339</u>	<u>47,386</u>
NON-OPERATING REVENUES/(EXPENSES)				
Interest Income	-	3	7,019	7,022
Interfund Transfers In	135,841	9,217	-	9,217
Total Nonoperating Revenues (Expenses)	<u>135,841</u>	<u>9,220</u>	<u>7,019</u>	<u>16,239</u>
CHANGE IN NET POSITION	<u>(267,599)</u>	<u>(56,733)</u>	<u>120,358</u>	<u>63,625</u>
NET POSITION - BEGINNING	<u>-</u>	<u>87,849</u>	<u>439,435</u>	<u>527,284</u>
NET POSITION - ENDING	<u>\$ (267,599)</u>	<u>\$ 31,116</u>	<u>\$ 559,793</u>	<u>\$ 590,909</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Statement of Cash Flows – Proprietary Funds

For the Year Ended June 30, 2019

	Enterprise Fund	Internal Service Funds		
	Cafeteria Fund	Warehouse Revolving Fund	Self-Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from operating grants	\$ 2,040,001	\$ -	\$ -	\$ -
Cash received from user charges	62,467	38,363	-	38,363
Cash received from assessments made to other funds	-	-	113,339	113,339
Cash payments for payroll and benefits	(1,139,382)	(60,662)	-	(60,662)
Cash payments for goods and services	(1,098,927)	1,634	-	1,634
Net cash provided by (used in) operating activities	<u>(135,841)</u>	<u>(20,665)</u>	<u>113,339</u>	<u>92,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest earned	<u>-</u>	<u>3</u>	<u>7,019</u>	<u>7,022</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interfund transfers	<u>135,841</u>	<u>15,182</u>	<u>18,804</u>	<u>33,986</u>
NET INCREASE/(DECREASE) IN CASH	<u>-</u>	<u>(5,480)</u>	<u>139,162</u>	<u>133,682</u>
CASH BEGINNING OF YEAR	<u>-</u>	<u>5,480</u>	<u>420,631</u>	<u>426,111</u>
CASH END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,793</u>	<u>\$ 559,793</u>
Reconciliation of operating income/(loss) to cash provided by/(used in) operating activities				
Operating income/(loss)	\$ (403,440)	\$ (65,953)	\$ 113,339	\$ 47,386
(Increase) decrease in accounts receivable	(212,061)	-	-	-
(Increase) decrease in due from other funds	(135,841)	(9,217)	-	(9,217)
(Increase) decrease in inventory	-	30,395	-	30,395
(Increase) decrease in deferred outflows of resources	(730,029)	(94,257)	-	(94,257)
Increase (decrease) in accounts payable	6,007	(13,040)	-	(13,040)
Increase (decrease) in overdrafts	125,390	9,125	-	9,125
Increase (decrease) in due to other funds	216,415	-	-	-
Increase (decrease) in net pension liability	825,758	106,919	-	106,919
Increase (decrease) in net OPEB liability	152,464	12,839	-	12,839
Increase (decrease) in deferred inflows of resources	19,496	2,524	-	2,524
Net cash provided by (used in) operating activities	<u>\$ (135,841)</u>	<u>\$ (20,665)</u>	<u>\$ 113,339</u>	<u>\$ 92,674</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Statement of Net Position – Fiduciary Funds

June 30, 2019

	Trust Fund Scholarship Fund	Associated Student Body Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 1,015,760	\$ 232,061
Investments	1,011,247	-
Total Assets	<u>\$ 2,027,007</u>	<u>\$ 232,061</u>
LIABILITIES AND NET POSITION:		
Liabilities		
Due to Student Groups	\$ -	\$ 232,061
Total Liabilities	<u>-</u>	<u>232,061</u>
Net Position		
Restricted	2,027,007	-
Total Net Position	<u>2,027,007</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 2,027,007</u>	<u>\$ 232,061</u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Statement of Changes in Net Position – Fiduciary Funds

June 30, 2019

	Trust Fund Scholarship Fund
ADDITIONS:	
Investment earnings	\$ 79,249
Contributions	<u>273,022</u>
Total Additions	<u><u>352,271</u></u>
DEDUCTIONS	
Scholarship awards	<u>245,861</u>
Total Deductions	<u>245,861</u>
CHANGE IN NET POSITION	106,410
NET POSITION - BEGINNING	<u>1,920,597</u>
NET POSITION - ENDING	<u><u>\$ 2,027,007</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Del Norte County Schools

Notes to the Financial Statements

For the Year Ended June 30, 2019

A. Summary of Significant Accounting Policies

Del Norte County Schools (District), consisting of the Del Norte County Office of Education, the Del Norte Unified School District, and the castle Rock Charter School, 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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District operates under a locally elected Board of Education form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food services, childcare services, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of their taxes. IN addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Based on the criteria in GASB Statements 14 as amended by Statements 39 and 61, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

3. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of Del Norte County Unified School District. It is used to account for all activities except those that are required to be accounted for in another fund.

County School Service Fund: The County School Service Fund is the main operating fund of Del Norte County Office of Education. It is used to account for all activities except those that are required to be accounted for in another fund.

Charter School Special Revenue Fund: The Charter School Special Revenue Fund is used by the Del Norte County Office of Education, authorizing agency, to account separately for the activities of Castle Rock Charter School that would otherwise be accounted for in the County School Service Fund.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

Building Fund: The Building fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code §15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code §41003*).

The District reports the following non-major governmental funds categorized by the fund type:

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following nonmajor special revenue funds:

Adult Education Fund: This fund is used to account separately for federal, state and local revenues that are restricted or committed for adult education programs.

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

Deferred Maintenance Fund: This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code §17582*).

Forest Reserve Fund: This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code §2300, Government Code §29484*).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The District maintains the following nonmajor capital projects funds:

Capital Facilities Fund: The Capital Facilities Fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code §17620 through §17626*). The authority for these levies may be county or city ordinances (*Government Code §65970 through §65981*) or private agreements between the District and the developer. All funds, including interest earned, are restricted to the purposes specified in *Government Code §65970 through §65981* or *Government Code §65995*, or items specified in agreements with the developer (*Government Code §66006*).

County School Facilities Fund: The County School Facilities fund is established pursuant to *Education Code §17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A, the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code §17070.10 et seq.*).

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

Special Reserve Fund for Capital Outlay Projects: The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code §42840*). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to another capital projects fund. Other authorized resources that may be deposited in the Special Reserve Fund for Capital Outlay Projects are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code §41003*).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt. The District maintains the following nonmajor debt service funds:

Bond Interest and Redemption Fund: The bond interest and redemption fund is used for the repayment of bonds issued for the District (*Education Code §15125 through §15262*). The County of San Diego Auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the County Treasurer from taxes levied by the County Auditor-Controller.

Proprietary Funds

The District reports the following proprietary funds:

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District maintains the following enterprise fund:

Cafeteria Enterprise Fund: The cafeteria program is accounted for using an enterprise fund rather than a special revenue fund, even though its primary source of financing comes from federal and state child nutrition program revenues rather than through the price paid for meals by students. This is done so because the governing board intends to operate its cafeteria program in a manner similar to that employed by private business enterprises and to fully recover all costs of providing services, including depreciation of capital assets.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges. The District maintains the following internal service fund:

Warehouse Revolving Fund: This fund is used primarily to maintain budget control and stock accounting or merchandise for the District's use (*Education Code §42830*). The Warehouse Revolving Fund is reimbursed from various funds of the District for amounts consumed by these user funds.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code §17566*).

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

Fiduciary Funds

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

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code §41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The student body fund is an agency fund, and therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code §48930 through §48938*).

4. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

Governmental Fund Financial Statements. The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

5. 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 or at year end, whichever is sooner.

6. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1st. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

7. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

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

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

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

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

In accordance with Education Code §41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a non-spendable fund balance designation, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 Years
Site Improvements	5 - 50 Years
Equipment	2 - 15 Years

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The balance of the liabilities is recognized in the government-wide financial statements at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period 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 when the employee retires.

e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

g. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget or resolution. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted fund to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

h. Minimum Fund Balance Policy

The governing board maintains a minimum fund balance policy for the General Fund in order to protect Del Norte County Schools against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than three percent for Del Norte County Unified School District and four percent for Del Norte County Office of Education of general fund expenditures and other financing uses.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

i. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

j. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources relating to pension, deferred inflows of resources relating to pension, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

l. Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the economic interest method.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

9. Property Taxes

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

10. Use of Estimates

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

11. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

12. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 – Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 83.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following funds are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
County School Facilities Fund	\$ 111,567	The negative balance is a portion of the Del Norte County Schools' match on modernization projects completed over the last several years. This negative balance is being paid down by developer fees collected over the next 3-4 years.
Cafeteria Enterprise Fund	\$ 267,599	The cafeteria enterprise fund is in a deficit as a result of recording net OPEB liability in accordance with GASB Statement No. 75 and net pension liability in accordance with GASB Statement No. 68.

C. Fair Value Measurements

The District's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Trust Fund Money Market Funds	\$ 1,011,247	\$ -	\$ 1,011,247	\$ -
External investment pools measured at fair value				
Del Norte County Treasury	15,220,180	-	15,220,180	-
Total investments by fair value level	<u>\$ 16,231,427</u>	<u>\$ -</u>	<u>\$ 16,231,427</u>	<u>\$ -</u>

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code §41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the 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.

The Del Norte County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

D. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the Del Norte County Treasury as part of the common investment pool (\$15,220,180 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$15,220,180. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, In Banks, and in Revolving Fund

Cash balances on hand and in banks (\$298,296 as of June 30, 2019) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

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

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county treasury is restricted by Government Code §53635 pursuant to §53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of risk.

At June 30, 2019, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 15,220,180
Money Market Funds	Unrated	Not Applicable	\$ 1,011,247

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At June 30, 2019, the District's bank balances (including revolving cash) exceeded FDIC insurance amounts by \$39,172.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains a pooled investment with the Del Norte County Treasury with a fair value of \$15,220,180. The average weighted maturity for this pool was 682 days at June 30, 2019.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District’s investments in external investment pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

E. **Accounts Receivable**

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2019 consisted of:

	Major Governmental Funds				Non-Major Governmental Funds
	General Fund	County School Service Fund	Charter School Fund	Building Fund	
Federal Government:					
Special Education	\$ 870,856	\$ -	\$ -	\$ -	\$ -
Indian Education	62,228	211,598	-	-	-
Other Federal Programs	104,934	184,067	-	-	31,249
State Government:					
Lottery	436,277	1,321	10,163	-	-
Special Education	255,003	-	-	-	-
Career & Technical Education	291,795	-	-	-	-
Low Performing Students	161,601	-	20,200	-	-
Facilities Grant	-	-	-	-	304,159
Other State Programs	89,451	97,135	-	-	83,154
Local Sources					
BEAR Payment	-	191,589	-	-	-
Other Local Sources	202,627	35,573	617	-	-
Total Accounts Receivable	<u>\$ 2,474,772</u>	<u>\$ 721,283</u>	<u>\$ 30,980</u>	<u>\$ -</u>	<u>\$ 418,562</u>
	Cafeteria Enterprise Fund				
Federal & State Grants					
National School Lunch	\$ 464,084				
Child and Adult Care Food Pgm	96,350				
Other Grants	773				
Total Accounts Receivable	<u>\$ 561,207</u>				

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

F. Capital Assets:

Capital asset activity for the year ended June 30, 2019, was as follows:

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,631,528	\$ -	\$ -	\$ 1,631,528
Total capital assets not being depreciated	<u>1,631,528</u>	<u>-</u>	<u>-</u>	<u>1,631,528</u>
Capital assets being depreciated:				
Land improvements	2,144,395	-	-	2,144,395
Buildings and improvements	69,593,841	2,617,673	-	72,211,514
Equipment	8,127,663	82,875	-	8,210,538
Total capital assets being depreciated	<u>79,865,899</u>	<u>2,700,548</u>	<u>-</u>	<u>82,566,447</u>
Less accumulated depreciation for:				
Land improvements	(2,055,615)	-	-	(2,055,615)
Buildings and improvements	(28,947,963)	(1,162,512)	-	(30,110,475)
Equipment	(4,037,850)	(131,201)	-	(4,169,051)
Total accumulated depreciation	<u>(35,041,428)</u>	<u>(1,293,713)</u>	<u>-</u>	<u>(36,335,141)</u>
Total capital assets being depreciated, net	<u>44,824,471</u>	<u>1,406,835</u>	<u>-</u>	<u>46,231,306</u>
Governmental activities capital assets, net	<u>\$ 46,455,999</u>	<u>\$ 1,406,835</u>	<u>\$ -</u>	<u>\$ 47,862,834</u>

Depreciation of \$1,293,713 in governmental activities was not allocated to any specific functions.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

G. Interfund Balances and Activities

1. Interfund Receivables and Payables (Due To and From Other Funds)

Balances due to and due from other funds at June 30, 2019, consisted of the following:

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cafeteria Enterprise Fund	\$ 216,415	Reimburse expenses
General Fund	Nonmajor Governmental Funds	1,155	Reimburse expenses
Cafeteria Enterprise Fund	General Fund	135,841	Program contribution
Warehouse Revolving Fund	County School Service Fund	9,217	Inventory use
Nonmajor Governmental Funds	General Fund	50,810	Reimburse expenses
	Total	<u>\$ 413,438</u>	

All amounts due are scheduled to be repaid within one year.

2. Interfund Transfers Between Funds

Interfund transfers in and out between funds at June 30, 2019, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Warehouse Revolving Fund	County School Service Fund	\$ 9,217	Inventory use
Cafeteria Enterprise Fund	General Fund	135,841	Program contribution
County School Service Fund	Nonmajor Governmental Funds	71,732	Apportionment transfer
Building Fund	Nonmajor Governmental Funds	304,159	Capital projects expenses
Nonmajor Governmental Funds	Nonmajor Governmental Funds	161,491	Reimburse expenses
Nonmajor Governmental Funds	General Fund	2,148,568	Reimburse expenses
	Total	<u>\$ 2,831,008</u>	

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

H. Accounts Payable

Accounts payable balances as of June 30, 2019 consisted of:

	Major Governmental Funds				Non-Major Governmental Funds
	General Fund	County School Service Fund	Charter School Fund	Building Fund	
Vendors payable	\$ 3,265,491	\$ 122,507	\$ 15,087	\$ 128,425	\$ 229,821
Payroll and benefits	740	-	-	-	9,044
Total accounts payable	<u>\$ 3,266,231</u>	<u>\$ 122,507</u>	<u>\$ 15,087</u>	<u>\$ 128,425</u>	<u>\$ 238,865</u>
	Cafeteria Enterprise Fund	Warehouse Revolving Fund			
Vendors payable	\$ 30,308	\$ 92			
Total accounts payable	<u>\$ 30,308</u>	<u>\$ 92</u>			

I. Unearned Revenue

Unearned revenue balances as of June 30, 2019 consisted of:

	Major Governmental Funds				Non-Major Governmental Funds
	General Fund	County School Service Fund	Charter School Fund	Building Fund	
Federal Government:					
Other Federal Programs	139,321	96,741	-	-	63,823
State Government:					
Career & Technical Education	232,921	-	-	-	-
Other State Programs	3,388	16,230	-	-	-
Local Sources					
Other Local Sources	7,885	973	-	-	-
Total Accounts Receivable	<u>\$ 383,515</u>	<u>\$ 113,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,823</u>

J. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2019, the District did not enter into any short-term debt agreements.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

K. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2019 consisted of:

	Major Governmental Funds				Non-Major Governmental Funds
	General Fund	County School Service Fund	Charter School Fund	Building Fund	
Nonspendable Fund Balance					
Prepaid Expenditures	\$ 130,753	\$ 99,546	\$ 27,535	\$ -	\$ -
Total Nonspendable Fund Balance	<u>130,753</u>	<u>99,546</u>	<u>27,535</u>	<u>-</u>	<u>-</u>
Restricted Fund Balance					
Capital Projects	107,780	114,023	212,006	1,706,476	-
Debt Service	-	-	-	-	768,478
Educational Programs	661,303	28,838	51,338	-	78,469
Other Purposes	234,990	58,106	797	-	-
Total Restricted Fund Balance	<u>1,004,073</u>	<u>200,967</u>	<u>264,141</u>	<u>1,706,476</u>	<u>846,947</u>
Committed Fund Balance					
Deferred Maintenance	-	-	-	-	154,177
Total Committed Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,177</u>
Assigned Fund Balance					
Textbook Adoption	400,000	-	-	-	-
Local Resources	1,722,734	-	-	-	-
HR2389	-	581,311	-	-	-
Charter School Programs	-	-	746,426	-	-
Child Development Program	-	-	-	-	63,931
Capital Projects	-	-	-	-	1,063,716
Total Assigned Fund Balance	<u>2,122,734</u>	<u>581,311</u>	<u>746,426</u>	<u>-</u>	<u>1,127,647</u>
Unassigned Fund Balance					
For Economic Uncertainties	1,441,913	264,805	-	-	-
Fund Deficit	-	-	-	-	(111,567)
Other Unassigned	2,084,663	456,752	-	-	-
Total Unassigned Fund Balance	<u>3,526,576</u>	<u>721,557</u>	<u>-</u>	<u>-</u>	<u>(111,567)</u>
Total Fund Balance	<u>\$ 6,784,136</u>	<u>\$ 1,603,381</u>	<u>\$ 1,038,102</u>	<u>\$ 1,706,476</u>	<u>\$ 2,017,204</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

L. Long Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds					
Principal Balance	\$ 18,215,000	\$ -	\$ 290,000	\$ 17,925,000	\$ 310,000
Bond Premium	434,629	-	4,322	430,307	4,637
Total GO Bonds	<u>18,649,629</u>	<u>-</u>	<u>294,322</u>	<u>18,355,307</u>	<u>314,637</u>
Capital Leases	2,630,864	-	627,444	2,003,420	647,208
Net Pension Liability*	44,712,860	2,221,619	-	46,934,479	-
Total OPEB Liability*	6,515,860	398,520	-	6,914,380	-
Compensated Absences*	461,161	-	111,383	349,778	349,778
Total Governmental Activities	<u>\$ 72,970,374</u>	<u>\$ 2,620,139</u>	<u>\$ 1,033,149</u>	<u>\$ 74,557,364</u>	<u>\$ 1,311,623</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business Type Activities:</u>					
Net Pension Liability*	\$ -	\$ 825,758	\$ -	\$ 825,758	\$ -
Total OPEB Liability*	-	152,464	-	152,464	-
Total Business Type Activities	<u>\$ -</u>	<u>\$ 978,222</u>	<u>\$ -</u>	<u>\$ 978,222</u>	<u>\$ -</u>

*Other long-term liabilities

- Payments for general obligation bonds are made from the bond interest and redemption fund.
- Payments for capital leases are made from the general fund.
- Payments for pension contributions are made from the general fund, county school services fund, charter school fund, nonmajor governmental funds, and the cafeteria enterprise fund.
- Payments for OPEB contributions are made from the general fund, county school service fund, charter school fund, nonmajor governmental funds, and the cafeteria enterprise fund.
- Payments for compensated absences are made from the general fund, county school services fund, charter school fund, nonmajor governmental funds, and the cafeteria enterprise fund.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

2. General Obligation Bonds

The District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes.

In November 2008 registered voters authorized the issuance of \$24,987,000 principal amount of general obligation bonds. As of June 30, 2019 \$4,987,002 of the bonds remained available for issue.

In May 2013, Del Norte County Schools issued \$5,010,000 in general obligation bonds to advance refund \$4,460,000 of outstanding 2008 Series A bonds originally issued in the aggregate principal of \$5,099,998. The net proceeds of \$4,787,255 (after payment of \$222,745 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The refunding decreases total debt service payments over the term of the bonds by \$454,243, resulting in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$333,285. The new bonds bear interest from 0.50% to 3.80% and are due in annual installments ranging from \$30,000 to \$640,000 through August 1, 2033.

In October 2013, Del Norte County Schools issued \$4,990,000 in Election of 2008 Series B Bonds. These bonds were issued for the purpose of financing the renovation, construction and improvement of school facilities. The bonds were issued with interest rates ranging from 0.35% to 5.25%; the bonds mature at various dates with a final maturity of August 1, 2018.

In January 2014, Del Norte County Schools issued \$5,010,000 in Election of 2008 Series C bonds. These bonds were issued for the purpose of financing the renovation, construction and improvement of school facilities. The bonds were issued with interest rates ranging from 0.35% to 5.00%; the bonds mature at various dates with a final maturity of August 1, 2038.

In February 2016, Del Norte County Schools issued \$4,900,000 in Election of 2008 Series D bonds. These bonds were issued for the purpose of financing the renovation, construction and improvement of school facilities. The bonds were issued with interest rates ranging from 3.5% to 4.125%; the bonds mature at various dates with final maturity of August 1, 2045.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

General obligation bonds payable as of June 30, 2019 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2013 Refunding	05/07/13	0.50 - 3.80%	08/01/33	\$ 5,010,000
2008 Election Series B	10/17/13	0.35 - 5.25%	08/01/38	4,990,000
2008 Election Series C	01/22/14	0.35 - 5.00%	08/01/38	5,010,000
2008 Election Series D	02/11/16	3.50 - 4.125%	08/01/45	4,900,000
Total GO Bonds				<u>\$ 19,910,000</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2013 Refunding				
Principal	\$ 4,770,000	\$ -	\$ 30,000	\$ 4,740,000
Premium	-	-	-	-
Total 2013	<u>4,770,000</u>	<u>-</u>	<u>30,000</u>	<u>4,740,000</u>
2008 Election Series B				
Principal	\$ 4,675,000	\$ -	\$ 135,000	\$ 4,540,000
Premium	69,124	-	1,996	67,128
Total 2008-B	<u>4,744,124</u>	<u>-</u>	<u>136,996</u>	<u>4,607,128</u>
2008 Election Series C				
Principal	\$ 3,870,000	\$ -	\$ 125,000	\$ 3,745,000
Premium	72,019	-	2,326	69,693
Total 2008-C	<u>3,942,019</u>	<u>-</u>	<u>127,326</u>	<u>3,814,693</u>
2008 Election Series D				
Principal	4,900,000	-	-	4,900,000
Premium	293,486	-	-	293,486
Total 2008-D	<u>5,193,486</u>	<u>-</u>	<u>-</u>	<u>5,193,486</u>
Total GO Bonds	<u>\$ 18,649,629</u>	<u>\$ -</u>	<u>\$ 294,322</u>	<u>\$ 18,355,307</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

The annual requirements to amortize the bonds outstanding at June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 310,000	\$ 720,004	\$ 1,030,004
2021	335,000	713,361	1,048,361
2022	360,000	704,930	1,064,930
2023	385,000	694,795	1,079,795
2024	415,000	682,904	1,097,904
2025-2029	2,565,000	3,181,623	5,746,623
2030-2034	3,895,000	2,612,484	6,507,484
2035-2039	5,355,000	1,561,397	6,916,397
2040-2044	2,845,000	605,181	3,450,181
2045-2049	1,460,000	61,256	1,521,256
Total	<u>\$ 17,925,000</u>	<u>\$ 11,537,934</u>	<u>\$ 29,462,934</u>

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

Effective interest on general obligation bonds issued at a premium are as follows:

	2013	2008-B	2008-C	2008-D
Total Interest Payments on Bonds	\$ 2,082,953	\$ 4,333,850	\$ 2,813,116	\$ 5,014,291
Less Bond Premium	-	(100,718)	(90,024)	(326,096)
Net Interest Payments	<u>\$ 2,082,953</u>	<u>\$ 4,233,132</u>	<u>\$ 2,723,092</u>	<u>\$ 4,688,195</u>
Par Amount of Bonds	5,010,000	4,990,000	5,010,000	4,900,000
Periods	21	25	25	30
Effective Interest Rate	1.98%	3.39%	2.17%	3.19%

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

3. Capital Leases

The District has entered into a lease agreement to obtain technology equipment valued at \$3,332,549 which provides for title to pass upon expiration of the lease period and where the lease term is most of the equipment's useful life. Future minimum lease payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 647,208	\$ 63,103	\$ 710,311
2021	667,592	42,718	710,310
2022	688,620	21,690	710,310
Total	<u>\$ 2,003,420</u>	<u>\$ 127,511</u>	<u>\$ 2,130,931</u>

4. Compensated Absences

Total combined unpaid employee compensated absences as of June 30, 2019 was \$349,778. This amount is included as part of long-term liabilities in the government-wide financial statements.

M. Pension Plans

1. General Information about the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement no. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55-60	55-62
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.764%	14.764%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%	1.0 - 2.5%*
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%
Required State Contribution Rates (at June 30, 2019)	7.971%	7.971%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), California Education Code §22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Education Code §22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

CalPERS

California Public Employees' Retirement Law §20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), the employee contribution rate was 7.00% and the employer contribution rate was 18.062% of covered payroll.

On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB90 made up 42% of the total contributions made by the State on behalf of the District. In addition, SB90 apportioned \$900 Million in contributions to CalPERS on behalf of the Districts as a one time contribution in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The amounts contributed to CalPERS on behalf of the District was 7.971% of creditable salaries. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the States contribution for the fiscal year. Contributions made by the state on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 1,366,263	\$ 2,370,011
2018	8.292%	1,556,986	654,674
2019	14.772%	2,792,211	(566,613)

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	7.971%	\$ 665,030	\$ -

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Governmental Funds Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<u>Governmental Funds</u>			
Contributions - Employer	\$ 3,070,963	\$ 1,426,206	\$ 4,497,169
Contributions - State On Behalf Payments	2,792,211	628,952	3,421,163
Total Governmental Funds Contributions	<u>\$ 5,863,174</u>	<u>\$ 2,055,158</u>	<u>\$ 7,918,332</u>
	Enterprise Funds Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<u>Enterprise Funds</u>			
Contributions - Employer	\$ -	\$ 81,503	\$ 81,503
Contributions - State On Behalf Payments	-	36,078	36,078
Total Enterprise Funds Funds Contributions	<u>\$ -</u>	<u>\$ 117,581</u>	<u>\$ 117,581</u>
	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Contributions - Employer	\$ 2,709,407	\$ 1,121,560	\$ 3,830,967
Contributions - State On Behalf Payments	2,792,211	660,800	3,453,011
Total Contributions Governmental Activities	<u>5,501,618</u>	<u>1,782,360</u>	<u>7,283,978</u>
<u>Business Type Activities</u>			
Contributions - Employer	-	81,503	81,503
Contributions - State On Behalf Payments	-	36,078	36,078
Total Contributions Business Type Activities	<u>-</u>	<u>117,581</u>	<u>117,581</u>
Total Contributions Government-Wide	<u>\$ 5,501,618</u>	<u>\$ 1,899,941</u>	<u>\$ 7,401,559</u>

2. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018 the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of the Net Pension Liability		
	Governmental Activities	Business Type Activities	Total
CalSTRS	\$ 32,493,718	\$ -	\$ 32,493,718
CalPERS	14,440,761	825,758	15,266,519
Total	<u>\$ 46,934,479</u>	<u>\$ 825,758</u>	<u>\$ 47,760,237</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to measurement date June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS		Total For District Employees	CalPERS
	District's Proportionate Share	State's Proportionate Share*		District's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2018	0.0346%	0.0205%	0.0551%	0.0533%
Proportion June 30, 2019	0.0354%	0.0203%	0.0557%	0.0542%
Change in Proportion	0.0008%	-0.0002%	0.0005%	0.0009%
<u>Business Type Activities</u>				
Proportion June 30, 2018	0.0000%	0.0000%	0.0000%	0.0000%
Proportion June 30, 2019	0.0000%	0.0000%	0.0000%	0.0031%
Change in Proportion	0.0000%	0.0000%	0.0000%	0.0031%

*Represents State's Proportionate Share on behalf of District employees.

a. Pension Expense

	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Change in Net Pension Liability (Asset)	\$ 504,970	\$ 1,716,644	\$ 2,221,614
State On Behalf Pension Expense	(566,613)	-	(566,613)
Employer Contributions to Pension Expense	3,070,963	1,426,206	4,497,169
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(335,889)	(240,197)	(576,086)
Differences between actual and expected experiences	27,603	(587,189)	(559,586)
Changes in assumptions	1,382,763	300,611	1,683,374
Changes in proportionate share	(566,114)	(95,095)	(661,209)
Net difference between projected and actual earnings	2,450	728,794	731,244
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	24,124	-	24,124
Changes in assumptions	-	(126,214)	(126,214)
Changes in proportionate share	(1,192,311)	-	(1,192,311)
Net difference between projected and actual earnings	347,313	(400,479)	(53,166)
Total Governmental Activities	\$ 2,699,259	\$ 2,723,081	\$ 5,422,340

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
<u>Business Type Activities</u>			
Change in Net Pension Liability (Asset)	\$ -	\$ 825,758	\$ 825,758
State On Behalf Pension Expense	-	-	-
Employer Contributions to Pension Expense	-	81,503	81,503
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	-	(81,503)	(81,503)
Differences between actual and expected experiences	-	(45,907)	(45,907)
Changes in assumptions	-	(11,150)	(11,150)
Changes in proportionate share	-	(591,469)	(591,469)
Net difference between projected and actual earnings	-	-	-
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	-	-	-
Changes in assumptions	-	-	-
Changes in proportionate share	-	-	-
Net difference between projected and actual earnings	-	19,496	19,496
Total Business Type Activities	<u>\$ -</u>	<u>\$ 196,728</u>	<u>\$ 196,728</u>
Total Pension Expense	<u>\$ 2,699,259</u>	<u>\$ 2,919,809</u>	<u>\$ 5,619,068</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, The District reported Deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
<u>Governmental Activities</u>			
Pension contributions subsequent of measurement date	\$ 3,070,963	\$ 1,415,920	\$ 4,486,883
Differences between actual and expected experience	82,808	1,167,449	1,250,257
Changes in assumptions	4,148,287	1,680,406	5,828,693
Changes in employer's proportionate share	566,114	269,366	835,480
Net difference between projected and actual earnings	3,594	1,144,002	1,147,596
Total Governmental Activities	<u>\$ 7,871,766</u>	<u>\$ 5,677,143</u>	<u>\$ 13,548,909</u>
<u>Business Type Activities</u>			
Pension contributions subsequent of measurement date	-	81,503	81,503
Differences between actual and expected experience	-	45,907	45,907
Changes in assumptions	-	11,150	11,150
Changes in employer's proportionate share	-	591,469	591,469
Net difference between projected and actual earnings	-	-	-
Total Business Type Activities	<u>-</u>	<u>730,029</u>	<u>730,029</u>
Total Deferred Outflows of Resources	<u>\$ 7,871,766</u>	<u>\$ 6,407,172</u>	<u>\$ 14,278,938</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ (27,981)	\$ -	\$ (27,981)
Changes in assumptions	-	(126,213)	(126,213)
Changes in employer's proportionate share	(2,053,587)	-	(2,053,587)
Net difference between projected and actual earnings	<u>(3,374,890)</u>	<u>(1,061,524)</u>	<u>(4,436,414)</u>
Total Governmental Activities	<u>(5,456,458)</u>	<u>(1,187,737)</u>	<u>(6,644,195)</u>
<u>Business Type Activities</u>			
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in employer's proportionate share	-	-	-
Net difference between projected and actual earnings	<u>-</u>	<u>(19,496)</u>	<u>(19,496)</u>
Total Business Type Activities	<u>-</u>	<u>(19,496)</u>	<u>(19,496)</u>
Total Deferred Inflows of Resources	<u>\$ (5,456,458)</u>	<u>\$ (1,207,233)</u>	<u>\$ (6,663,691)</u>

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five-year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Governmental Activities					
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses	
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2020	\$ 4,625,306	\$ 3,194,635	\$ (2,233,104)	\$ (451,853)	5,134,984	
2021	1,553,039	1,336,331	(1,757,295)	(325,640)	806,435	
2022	1,551,894	876,651	(1,183,362)	(325,641)	919,542	
2023	141,527	269,526	(282,697)	(84,603)	43,753	
Total	<u>\$ 7,871,766</u>	<u>\$ 5,677,143</u>	<u>\$ (5,456,458)</u>	<u>\$ (1,187,737)</u>	<u>\$ 6,904,714</u>	
Year Ended June 30,	Business Type Activities					
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses	
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2020	\$ -	\$ 243,635	\$ -	\$ (4,874)	238,761	
2021	-	162,132	-	(4,874)	157,258	
2022	-	162,132	-	(4,874)	157,258	
2023	-	162,130	-	(4,874)	157,256	
Total	<u>\$ -</u>	<u>\$ 730,029</u>	<u>\$ -</u>	<u>\$ (19,496)</u>	<u>\$ 710,533</u>	

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Fiscal Year	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) tables issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rates assumed the contributions from the plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate, and the use of the Discount bond rate calculations is not necessary for either plan. The stress test results are presented in detailed reports that can be obtained from CalPERS and CalSTRS respective websites.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM with an initial expected completion date of November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 rounded down to the nearest quarter of one percent.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

CalPERS

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

*In the basic financial statements, fixed income is included in global debt securities; liquidity is included in short term investments; inflation assets are included in both global equity securities and global debt securities.

**An expected inflation of 2.00% is used for this period.

***An expected inflation of 2.92% is used for this period.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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 or 1 percentage point higher than the current rate:

	CalSTRS		
	Governmental Activities	Business Type Activities	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	\$ 47,599,496	\$ -	\$ 47,599,496
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	\$ 32,493,718	\$ -	\$ 32,493,718
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	\$ 19,969,567	\$ -	\$ 19,969,567

	CalPERS		
	Governmental Activities	Business Type Activities	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 20,869,388	\$ 1,202,264	\$ 22,071,652
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 14,440,761	\$ 825,758	\$ 15,266,519
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 8,911,670	\$ 513,392	\$ 9,425,062

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

3. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS – Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018 (Previously Reported)	\$ 166,919,654	\$ 115,934,539	\$ 50,985,115	\$ 18,996,367	\$ 31,988,748
Changes for the year:					
CalSTRS Auditor Adjustment	-	(283,370)	283,370	103,411	179,959
Change in prop. share	1,638,541	1,138,054	500,487	(207,156)	707,643
Service cost	3,976,094	-	3,976,094	1,451,040	2,525,054
Interest	11,967,253	-	11,967,253	4,367,342	7,599,911
Difference between expected and actual experience	(52,332)	-	(52,332)	(19,098)	(33,234)
Contributions:					
Employer	-	2,709,368	(2,709,368)	(988,760)	(1,720,608)
Employee	-	1,946,430	(1,946,430)	(710,332)	(1,236,098)
State On Behalf	-	1,556,964	(1,556,964)	(568,200)	(988,764)
Net investment income	-	10,395,932	(10,395,932)	(3,793,903)	(6,602,029)
Other income	-	58,536	(58,536)	(21,362)	(37,174)
Benefit payments, including refunds of employee contributions	(8,092,869)	(8,092,869)	-	-	-
Administrative expenses	-	(120,298)	120,298	43,902	76,396
Borrowing costs	-	(52,470)	52,470	19,149	33,321
Other expenses	-	(934)	934	341	593
Net changes	<u>9,436,687</u>	<u>9,255,343</u>	<u>181,344</u>	<u>(323,626)</u>	<u>504,970</u>
Balance at June 30, 2019	<u>\$ 176,356,341</u>	<u>\$ 125,189,882</u>	<u>\$ 51,166,459</u>	<u>\$ 18,672,741</u>	<u>\$ 32,493,718</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

CalPERS – Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 45,236,257	\$ 32,512,140	\$ 12,724,117
Changes for the year:			
Change in prop. share	729,892	524,586	205,306
Service cost	1,176,732	-	1,176,732
Interest	3,339,351	-	3,339,351
Difference between expected and actual experience	1,003,531	-	1,003,531
Change in assumptions	243,755	-	243,755
Contributions:			
Employer	-	1,121,563	(1,121,563)
Employee	-	516,134	(516,134)
Net investment income	-	2,759,487	(2,759,487)
Plan to plan res. movement	-	1	(1)
Benefit payments, including refunds of employee contributions	(2,195,169)	(2,195,169)	-
Administrative expenses	-	(50,070)	50,070
Other expenses	-	(95,084)	95,084
Net changes	4,298,092	2,581,448	1,716,644
Balance at June 30, 2019	\$ 49,534,349	\$ 35,093,588	\$ 14,440,761

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

CalPERS – Business Type Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ -	\$ -	\$ -
Changes for the year:			
Change in prop. share	2,628,458	1,889,120	739,338
Service cost	67,288	-	67,288
Interest	190,952	-	190,952
Difference between expected and actual experience	57,384	-	57,384
Change in assumptions	13,938	-	13,938
Contributions:			
Employer	-	64,134	(64,134)
Employee	-	29,514	(29,514)
Net investment income	-	-	-
Plan to plan res. movement	-	157,794	(157,794)
Benefit payments, including refunds of employee contributions	(125,525)	(125,525)	-
Administrative expenses	-	(2,863)	2,863
Other expenses	-	(5,437)	5,437
Net changes	<u>2,832,495</u>	<u>2,006,737</u>	<u>825,758</u>
Balance at June 30, 2019	<u>\$ 2,832,495</u>	<u>\$ 2,006,737</u>	<u>\$ 825,758</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports available on their respective websites.

N. Post-Employment Benefits Other than Pension (OPEB)

1. Plan Description

The District's defined benefit OPEB plan, Del Norte County Schools Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a single employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the Districts governing board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

2. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below:

The District offers post-employment medical insurance to its eligible retirees. Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees Medical and Hospital Care Act (PEMHCA). Eligible retirees can choose from PERSCare and PERSChoice PPOs.

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

The District pays the full cost for employee and/or dependent coverage under the above plan for eligible retirees.

The District offers the same medical plans to its retirees as to its active employees, with the general exception that once a retiree becomes eligible for Medicare (that is reaching age 65), he or she must join a Medicare Supplement PPO, with Medicare becoming the primary payor. The District does not contribute to dental and vision insurance for retirees.

Employees become eligible to receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service or upon disability before age 50. Benefits are paid for the lifetime of the retiree. Employees are eligible for full retirement benefits at age 55. Employees hired on or after January 1, 2013, and who are not defined as classic employees by CalPERS are eligible for full retirement benefits at age 62.

3. Contributions

The contribution requirements of Plan members and the Del Norte County Schools are established and may be amended by the Del Norte County Schools through negotiations with bargaining units.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

4. Plan Membership

Membership of the plan consisted of the following as of the June 30, 2017 valuation date, measured as of June 30, 2018 for fiscal year June 30, 2019:

Inactive plan members or beneficiaries currently receiving benefits	29
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>234</u>
	<u>263</u>

5. Total OPEB Liability

The Del Norte County Schools's total OPEB liability of \$7,066,844 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

6. Actuarial Assumptions and Other Inputs

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

Economic assumptions:

Investment rate of return	3.80%
Salary increases	2.75% per annum, in aggregate
Discount rate	3.80%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality

Certificated	Most recent CalSTRS mortality tables
Classified	Most recent CalPERS mortality tables

Termination Rates:

Certificated	Most recent CalSTRS termination rates
Classified	Most Recent CalPERS termination rates

The discount rate used is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

7. Changes in Total OPEB Liability

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Total OPEB Liability			
Service cost	\$ 567,980	\$ 217,296	\$ 785,276
Interest	183,179	70,080	253,259
Change in proportionate shares	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(352,639)	(134,912)	(487,551)
Net change in Total OPEB Liability	398,520	152,464	550,984
Total OPEB Liability - Beginning	6,515,860	-	6,515,860
Total OPEB Liability - Ending	<u>\$ 6,914,380</u>	<u>\$ 152,464</u>	<u>\$ 7,066,844</u>

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

The following presents the total OPEB liability of the Plan, 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:

	<u>1% Decrease (2.80%)</u>	<u>Valuation Discount Rate (3.80%)</u>	<u>1% Increase (4.80%)</u>
Total OPEB Liability	\$ 7,349,119	\$ 7,066,844	\$ 6,768,188

9. Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rate

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

	<u>1% Decrease (5.50% decreasing to 4.00%)</u>	<u>Valuation Discount Rate (6.50% decreasing to 5.00%)</u>	<u>1% Increase (7.50% decreasing to 6.00%)</u>
Total OPEB Liability	\$ 6,782,547	\$ 7,066,844	\$ 7,259,657

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

10. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$1,038,535. At June 30, 2019 the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Contributions subsequent to measurement date	<u>\$ 568,897</u>

OPEB contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020.

O. Risk Management

The District is exposed to risk of losses due to:

- Torts,
- Theft of, damage to, or destruction of assets,
- Business interruption,
- Errors or omissions,
- Job related illness or injuries to employees,
- Natural disasters,
- Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention, risk transfer to and from an insurer, and risk transfer to a non-insurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

P. Participation in Joint Powers Authorities

Del Norte County Schools is a member of three public entity risk pools (JPAs): the Northern California Schools Insurance Group (NCSIG) for workers' compensation, property and liability insurance; the Benefits Liability Excess Fund (BeLIEF) for excess employee health benefits; and the Schools Excess Liability Fund (SELF) for excess liability and workers' compensation insurance. Del Norte County Schools pay an annual premium to the entities for their coverage. The relationship between Del Norte County Schools, the pools, and the JPAs is such that the JPAs are not component units of Del Norte County Schools for financial reporting purposes.

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

Q. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

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

2. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2019.

3. Construction Commitments

As of June 30, 2019, the District did not have any outstanding construction commitments.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

R. Deferred Outflows of Resources

In accordance with GASB Statement No. 65, prepaid debt insurance is recorded as deferred outflows of resources and amortized over the life of the debt.

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the pension plan measurement date and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Pension related	\$ 14,260,903	\$ 6,542,152	\$ 7,254,146	\$ 13,548,909
OPEB related	605,977	568,897	605,977	568,897
Prepaid debt insurance	31,954	-	1,184	30,770
Total governmental activities	<u>14,898,834</u>	<u>7,111,049</u>	<u>7,861,307</u>	<u>14,148,576</u>
Business type activities				
Pension related	-	892,161	162,132	730,029
OPEB related	-	-	-	-
Total business type activities	<u>-</u>	<u>892,161</u>	<u>162,132</u>	<u>730,029</u>
Total Deferred Outflows of Resources	<u>\$ 14,898,834</u>	<u>\$ 8,003,210</u>	<u>\$ 8,023,439</u>	<u>\$ 14,878,605</u>

Future amortization of deferred outflows is as follows:

Year Ending June 30,	Governmental Activities		
	Pension Related	OPEB Related	Prepaid Debt Insurance
2020	\$ 7,819,941	\$ 568,897	\$ 1,184
2021	2,889,370	-	1,184
2022	2,428,545	-	1,184
2023	411,053	-	1,184
2024	-	-	1,184
Thereafter	-	-	24,850
Total	<u>\$ 13,548,909</u>	<u>\$ 568,897</u>	<u>\$ 30,770</u>

Year Ending June 30,	Business Type Activities		
	Pension Related	OPEB Related	Prepaid Debt Insurance
2020	\$ 243,635	\$ -	\$ 243,635
2021	162,132	-	162,132
2022	162,132	-	162,132
2023	162,130	-	162,130
Total	<u>\$ 730,029</u>	<u>\$ -</u>	<u>\$ 730,029</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

S. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Pension related	\$ 7,994,286	\$ 1,836,516	\$ 3,186,607	\$ 6,644,195
Total governmental activities	<u>7,994,286</u>	<u>1,836,516</u>	<u>3,186,607</u>	<u>6,644,195</u>
Business type activities				
Pension related	-	24,370	4,874	19,496
Total business type activities	<u>-</u>	<u>24,370</u>	<u>4,874</u>	<u>19,496</u>
Total Deferred Outflows of Resources	<u>\$ 7,994,286</u>	<u>\$ 1,860,886</u>	<u>\$ 3,191,481</u>	<u>\$ 6,663,691</u>

Future amortization of deferred inflows is as follows:

Governmental Activities	
Year Ending June 30,	Pension Related
2020	\$ 2,685,588
2021	2,083,566
2022	1,509,634
2023	367,931
Total	<u>\$ 6,646,719</u>

Business Type Activities	
Year Ending June 30,	Pension Related
2020	\$ 4,874
2021	4,874
2022	4,874
2023	4,874
Total	<u>\$ 19,496</u>

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

T. Upcoming Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

1. GASB 84 – Fiduciary Activities

The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District expects adjustments to be made to the financial statements resulting from the implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

2. GASB 90 – Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

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

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

Del Norte County Schools

Notes to the Financial Statements, Continued

June 30, 2019

U. Subsequent Events

Del Norte County Schools has evaluated subsequent events through January 31, 2020, the date these financial statements were issued. The following subsequent events were identified:

Issuance of New Debt

Del Norte County Schools Election of 2008, Series E Bonds are being issued pursuant to a resolution of the Board of Trustees of the District adopted on September 12, 2019. The Series E Bonds were authorized at an election of the registered voters of the District held on November 4, 2008, which authorized the issuance of \$24,987,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Series E Bonds are the fifth and final series of bonds to be issued under this authorization. The Series E Bonds are issued for \$4,985,658.05. In addition, Del Norte County Schools 2019 General Obligation Refunding Bonds Series A, in the amount of \$4,520,000 and Series B, in the amount of \$7,975,000, are being issued by the District pursuant to resolution of the Board adopted on August 22, 2019. The Tax Exempt refunding bonds are being issued to refund certain maturities of the District's 2013 General Obligation Refunding Bonds and the Taxable Refunding Bonds are being issued to refund certain maturities of the District's General Obligation Bonds Election of 2008 Series B and General Obligation Bonds Election of 2008 Series C.

Election 2008 Series E bonds consist of term bonds ranging from 2.125% to 4.00% interest and capital appreciation bonds with yield to maturities ranging from 2.51% to 3.31%. 2019 General Obligation Refunding Bonds Series A consist of term bonds ranging from 2.45% to 4.00% interest. 2019 General Obligation Refunding Bonds Series B consist of term bonds ranging from 2.10% to 3.49% interest.

Required Supplementary Information

Del Norte County Schools

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance to Final Budget Positive (Negative)
	Original	Final		
Revenues				
LCFF Sources				
State Apportionment	\$ 22,522,745	\$ 22,749,596	\$ 21,035,566	\$ (1,714,030)
Education Protection Account	4,071,125	4,071,125	5,526,099	1,454,974
Property Taxes	7,916,624	7,916,624	8,172,798	256,174
Federal Revenue	2,840,735	3,285,245	3,405,304	120,059
Other State Revenue	2,979,986	2,874,327	6,037,326	3,162,999
Interest Income	82,500	82,500	208,874	126,374
Other Local Revenue	3,322,492	3,456,258	3,800,406	344,148
Total Revenues	<u>43,736,207</u>	<u>44,435,675</u>	<u>48,186,373</u>	<u>3,750,698</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	16,123,812	17,181,128	17,204,887	(23,759)
Classified Salaries	8,103,839	7,982,440	8,240,811	(258,371)
Employee Benefits	10,959,554	10,457,945	13,376,862	(2,918,917)
Books and Supplies	2,461,196	3,717,653	2,386,283	1,331,370
Services and Other Operating	3,642,364	4,566,827	4,336,774	230,053
Transfers of Indirect Costs	(129,894)	(136,894)	(138,843)	1,949
Total Expenditures	<u>41,160,871</u>	<u>43,769,099</u>	<u>45,406,774</u>	<u>(1,637,675)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,575,336</u>	<u>666,576</u>	<u>2,779,599</u>	<u>2,113,023</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(1,558,915)</u>	<u>(1,558,915)</u>	<u>(2,284,409)</u>	<u>725,494</u>
Net Financing Sources (Uses)	<u>(1,558,915)</u>	<u>(1,558,915)</u>	<u>(2,284,409)</u>	<u>725,494</u>
Net Change in Fund Balance	1,016,421	(892,339)	495,190	1,387,529
Fund Balance - Beginning of Year	<u>6,661,526</u>	<u>6,661,526</u>	<u>6,661,526</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7,677,947</u>	<u>\$ 5,769,187</u>	<u>\$ 7,156,716</u>	<u>\$ 1,387,529</u>

See Accompanying Notes to Required Supplementary Information

Del Norte County Schools

Budgetary Comparison Schedule – County School Services Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance to Final Budget Positive (Negative)
	Original	Final		
Revenues				
LCFF Sources				
State Apportionment	\$ 2,277,726	\$ 2,277,726	\$ 2,112,408	\$ (165,318)
Education Protection Account	637,873	637,873	789,370	151,497
Property Taxes	36,844	36,844	45,644	8,800
Federal Revenue	537,786	1,443,833	913,379	(530,454)
Other State Revenue	268,297	707,939	1,019,157	311,218
Interest Income	3,500	3,500	9,515	6,015
Other Local Revenue	415,266	743,785	1,047,393	303,608
Total Revenues	<u>4,177,292</u>	<u>5,851,500</u>	<u>5,936,866</u>	<u>85,366</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	949,893	924,506	1,011,263	(86,757)
Classified Salaries	1,068,978	1,356,808	1,334,281	22,527
Employee Benefits	920,813	1,049,174	1,261,941	(212,767)
Books and Supplies	151,119	665,010	441,984	223,026
Services and Other Operating	729,712	1,516,463	1,199,267	317,196
Other Outgo	77,721	77,721	38,139	39,582
Total Expenditures	<u>3,898,236</u>	<u>5,589,682</u>	<u>5,286,875</u>	<u>302,807</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>279,056</u>	<u>261,818</u>	<u>649,991</u>	<u>388,173</u>
Other Financing Sources (Uses)				
Transfers In	3,750	3,750	71,732	67,982
Transfers Out	(42,850)	(42,850)	(9,217)	(33,633)
Net Financing Sources (Uses)	<u>(39,100)</u>	<u>(39,100)</u>	<u>62,515</u>	<u>34,349</u>
Net Change in Fund Balance	239,956	222,718	712,506	489,788
Fund Balance - Beginning of Year	890,876	890,876	890,876	-
Fund Balance - End of Year	<u>\$ 1,130,832</u>	<u>\$ 1,113,594</u>	<u>\$ 1,603,382</u>	<u>\$ 489,788</u>

See Accompanying Notes to Required Supplementary Information

Del Norte County Schools

Budgetary Comparison Schedule – Charter School Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance to Final Budget Positive (Negative)
	Original	Final		
Revenues				
LCFF Sources				
State Apportionment	\$ 3,160,392	\$ 3,160,392	\$ 2,756,165	\$ (404,227)
Education Protection Account	495,126	495,126	604,277	109,151
Other State Revenue	89,207	199,608	440,035	240,427
Interest Income	7,000	7,000	27,320	20,320
Other Local Revenue	1,500	1,500	1,265	(235)
Total Revenues	<u>3,753,225</u>	<u>3,863,626</u>	<u>3,829,062</u>	<u>(34,564)</u>
Expenditures				
Current Expenditures:				
Certificated Salaries	1,490,223	1,490,223	1,366,497	123,726
Classified Salaries	350,237	350,237	316,747	33,490
Employee Benefits	677,144	677,144	843,719	(166,575)
Books and Supplies	201,752	305,241	169,754	135,487
Services and Other Operating	1,033,869	1,033,869	1,263,621	(229,752)
Total Expenditures	<u>3,753,225</u>	<u>3,856,714</u>	<u>3,960,338</u>	<u>(103,624)</u>
Net Change in Fund Balance	-	6,912	(131,276)	(138,188)
Fund Balance - Beginning of Year	<u>1,169,378</u>	<u>1,169,378</u>	<u>1,169,378</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,169,378</u>	<u>\$ 1,176,290</u>	<u>\$ 1,038,102</u>	<u>\$ (138,188)</u>

See Accompanying Notes to Required Supplementary Information

Del Norte County Schools

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

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0354%	0.0346%	0.0355%	0.0397%	0.0438%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 32,493,718	\$ 31,988,743	\$ 28,695,495	\$ 26,754,276	\$ 25,596,584	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	18,672,744	18,996,367	16,414,840	14,245,067	15,585,102	N/A	N/A	N/A	N/A	N/A
Total	\$ 51,166,462	\$ 50,985,110	\$ 45,110,335	\$ 40,999,343	\$ 41,181,686	N/A	N/A	N/A	N/A	N/A
District's covered payroll**	\$ 18,776,209	\$ 18,288,786	\$ 17,627,018	\$ 18,364,414	\$ 19,409,044	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	173.06%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

Del Norte County Schools

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,070,963	\$ 2,709,407	\$ 2,300,729	\$ 1,891,379	\$ 1,630,760	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,070,963)	(2,709,407)	(2,300,729)	(1,891,379)	(1,630,760)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered payroll**	\$ 18,863,409	\$ 18,776,209	\$ 18,288,786	\$ 17,627,018	\$ 18,364,414	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

See Accompanying Notes to Required Supplementary Information

Del Norte County Schools

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

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0573%	0.0533%	0.0519%	0.0518%	0.0513%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 15,266,519	\$ 12,724,117	\$ 10,252,719	\$ 7,637,259	\$ 5,825,012	N/A	N/A	N/A	N/A	N/A
District's covered payroll**	\$ 7,634,312	\$ 6,845,698	\$ 6,286,412	\$ 5,761,923	\$ 5,395,070	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

Del Norte County Schools

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,507,709	\$ 1,185,685	\$ 950,731	\$ 744,751	\$ 678,236	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,507,709)	(1,185,685)	(950,731)	(744,751)	(678,236)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered payroll**	\$ 8,290,460	\$ 7,634,312	\$ 6,845,698	\$ 6,286,412	\$ 5,761,923	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	18.186%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

Del Norte County Schools

Schedule of the District's Total OPEB Liability and Related Ratios – Del Norte County Schools Retirement Health Benefits Last Ten Fiscal Years*

	Fiscal Year						
	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability:							
Service cost	\$ 785,276	\$ 764,259	N/A	N/A	N/A	N/A	N/A
Interest	253,259	232,745	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	-	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	-	N/A	N/A	N/A	N/A	N/A
Benefit payments	(487,551)	(468,799)	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	550,984	528,205	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	6,515,860	5,987,655	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 7,066,844</u>	<u>\$ 6,515,860</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	19,994,332	19,994,332	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	35.34%	32.59%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Del Norte County Schools

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category	Excess Expenditures	Reason for Excess Expenditures
General Fund:		
Certificated Salaries	\$ 23,759	The District underestimated salary increases associated with bargaining agreements.
Classified Salaries	\$ 258,371	The District underestimated salary increases associated with bargaining agreements.
Employee Benefits	\$ 2,918,917	The District was not able to budget for increases to CalSTRS and CalPERS pension on behalf payments that resulted from SB90 passed on June 28, 2019.
Services and Other	\$ 142,526	The District underestimated the costs of services and other operating expenses.
County School Services Fund:		
Certificated Salaries	\$ 86,757	The District underestimated salary increases associated with bargaining agreements.
Employee Benefits	\$ 212,767	The District was not able to budget for increases to CalSTRS and CalPERS pension on behalf payments that resulted from SB90 passed on June 28, 2019.
Charter School Fund:		
Employee Benefits	\$ 166,575	The District was not able to budget for increases to CalSTRS and CalPERS pension on behalf payments that resulted from SB90 passed on June 28, 2019.
Services and Other	\$ 229,752	The District underestimated the costs of services and other operating expenses.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Del Norte County Schools

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2019

Schedule of District's Proportionate Share – CalSTRS

1. Benefit Changes: There were no changes to benefits in 2015, 2016, 2017, 2018 and 2019.
2. Changes in Assumptions: There were no changes to assumptions in 2015, 2016, 2017 and 2019. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 and 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/06 - 06/30/15	07/01/06 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. 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 CalSTRS 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. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on the CalSTRS website.

Del Norte County Schools

Notes to Required Supplementary Information, Continued
For the Year Ended June 30, 2019

Schedule of District's Proportionate Share – CalPERS

1. Benefit Changes: There were no changes to benefits in 2015, 2016, 2017, 2018 and 2019.
2. Changes in Assumptions. There were no changes in assumptions in 2015 and 2017. In 2016 the discount rate was changed from 7.50% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of actuarial assumptions published December 2017, there were no changes to the discount rate in this period.

Schedule of District's Contributions – CalPERS

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 and 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all periods included in the measurement:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on the CalPERS website.

Del Norte County Schools

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2019

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

1. Benefit Changes: There were no benefit changes in 2018 and 2019.
2. Changes in Assumptions: There were no changes in assumptions in 2018 and 2019.
3. No assets are accumulated in a trust that meets the criteria in GASB No. 75 Paragraph 4.
4. The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.80%
2019	3.80%

Combining Statements as Supplementary Information

Del Norte County Schools

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS:									
Cash and investments	\$ 59,702	\$ 260	\$ 162,683	\$ -	\$ 790	\$ -	\$ 1,063,716	\$ 768,478	\$ 222,645
Accounts receivable	29,462	84,941	-	-	-	304,159	-	-	114,403
Due from other funds	-	50,810	-	-	-	-	-	-	50,810
Prepaid expenditures	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 89,164</u>	<u>\$ 136,011</u>	<u>\$ 162,683</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 304,159</u>	<u>\$ 1,063,716</u>	<u>\$ 768,478</u>	<u>\$ 387,858</u>
LIABILITIES AND FUND BALANCE:									
Liabilities									
Accounts payable	\$ 10,695	\$ 7,102	\$ 8,506	\$ -	\$ 790	\$ 211,772	\$ -	\$ -	\$ 26,303
Overdrafts	-	-	-	-	-	203,954	-	-	-
Due to other funds	-	1,155	-	-	-	-	-	-	1,155
Unearned revenue	-	63,823	-	-	-	-	-	-	63,823
Total Liabilities	<u>10,695</u>	<u>72,080</u>	<u>8,506</u>	<u>-</u>	<u>790</u>	<u>415,726</u>	<u>-</u>	<u>-</u>	<u>91,281</u>
Fund Balance									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	78,469	-	-	-	-	-	-	768,478	78,469
Committed	-	-	154,177	-	-	-	-	-	154,177
Assigned	-	63,931	-	-	-	-	1,063,716	-	63,931
Unassigned	-	-	-	-	-	(111,567)	-	-	-
Total Fund Balance	<u>78,469</u>	<u>63,931</u>	<u>154,177</u>	<u>-</u>	<u>-</u>	<u>(111,567)</u>	<u>1,063,716</u>	<u>768,478</u>	<u>296,577</u>
Total Liabilities and Fund Balance	<u>\$ 89,164</u>	<u>\$ 136,011</u>	<u>\$ 162,683</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 304,159</u>	<u>\$ 1,063,716</u>	<u>\$ 768,478</u>	<u>\$ 387,858</u>

Del Norte County Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES:									
LCFF State Apportionment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Education Protection Account Funds	-	-	-	-	-	-	-	-	-
Property Taxes	-	-	-	-	-	-	-	991,199	-
Federal Revenue	-	173,071	-	478,212	-	-	-	-	651,283
Other State Revenue	79,407	732,362	-	-	804	304,159	-	-	811,769
Interest Income	1,384	1,736	769	-	1,199	6,003	-	7,097	3,889
Other Local Revenue	-	-	37,351	-	160,292	-	-	-	37,351
Total Revenues	80,791	907,169	38,120	478,212	162,295	310,162	-	998,296	1,504,292
EXPENDITURES:									
Current Expenditures:									
Instruction	67,690	675,185	-	-	-	-	-	-	742,875
Instruction-Related Services	35,762	214,895	-	-	-	-	-	-	250,657
Pupil Services	-	-	-	-	-	-	-	-	-
Ancillary Services	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Enterprise Activities	-	-	-	-	-	-	-	-	-
General Administration	4,096	36,234	-	-	18,116	-	-	-	40,330
Plant Services	-	100	518,183	-	-	-	-	-	518,283
Other Outgo - Transfers Between Agencies	-	-	-	406,480	-	-	-	-	406,480
Other Outgo - Debt Issuance Costs	-	-	-	-	-	6,686	-	-	-
Capital Outlay	-	-	-	-	-	3,673	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	627,444	290,000	-
Interest	-	-	-	-	-	-	82,866	725,048	-
Total Expenditures	107,548	926,414	518,183	406,480	18,116	10,359	710,310	1,015,048	1,958,625
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,757)	(19,245)	(480,063)	71,732	144,179	299,803	(710,310)	(16,752)	(454,333)
OTHER FINANCING SOURCES (USES):									
Transfers In	-	50,809	323,733	-	17,312	144,179	1,774,026	-	374,542
Transfers Out	-	-	-	(71,732)	(161,491)	(304,159)	-	-	(71,732)
Total Other Financing Sources (Uses)	-	50,809	323,733	(71,732)	(144,179)	(159,980)	1,774,026	-	302,810
NET CHANGE IN FUND BALANCE	(26,757)	31,564	(156,330)	-	-	139,823	1,063,716	(16,752)	(151,523)
FUND BALANCE, BEGINNING OF YEAR	105,226	32,367	310,507	-	-	(251,390)	-	785,230	448,100
FUND BALANCE, END OF YEAR	\$ 78,469	\$ 63,931	\$ 154,177	\$ -	\$ -	\$ (111,567)	\$ 1,063,716	\$ 768,478	\$ 296,577

Other Supplementary Information

Del Norte County Schools

Local Education Agency Organization Structure

June 30, 2019

The Del Norte County Schools, consisting of the Del Norte County Office of Education, the Del Norte Unified School District and Castle Rock Charter School, are a District of the State of California providing public education for grades kindergarten through twelve within Del Norte County. There were no changes to the Del Norte County Schools' boundaries in the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Frank Magarino	President	Four Year Term Expires November 2020
Angela Greenough	Vice President/Clerk	Four Year Term Expires November 2022
Jamie Forkner	Member	Four Year Term Expires November 2022
Roger Daley	Member	Four Year Term Expires November 2020
Don McArthur	Member	Four Year Term Expires November 2022

ADMINISTRATION

Jeff Harris
County/District Superintendent

Steve Godla
Assistant Superintendent

Jeff Napier
Assistant Superintendent

Del Norte County Schools

Schedule of Average Daily Attendance – Del Norte County Office of Education
 Year Ended June 30, 2019

Del Norte County Office of Education

	Second Period Report		Annual Report	
	Original 2364D121/ 0E45133F	Revised	Original 6114B018/ BA98A937	Revised
Juvenile Court Schools				
Elementary	0.33	N/A	0.66	N/A
High School	14.11	N/A	11.52	N/A
Total Juvenile Court Schools	14.44	N/A	12.18	N/A
County Funded Non-Juvenile Court Schools				
Elementary	0.29	N/A	1.18	N/A
High School	9.77	N/A	13.29	N/A
Total Non-Juvenile Court Schools	10.06	N/A	14.47	N/A
County Community Schools				
Grades 7-8	1.95	N/A	7.38	N/A
Grades 9-12	14.42	N/A	16.20	N/A
Total County Community Schools	16.37	N/A	23.58	N/A
Total ADA	40.87	N/A	50.23	N/A

N/A – There were no audit findings which resulted in necessary revisions to 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Del Norte County Schools

Schedule of Average Daily Attendance – Del Norte Unified School District
 Year Ended June 30, 2019

Del Norte Unified School District

	Second Period Report		Annual Report	
	Original 601F27F8	Revised	Original C81DC4C9	Revised
TK/K-3				
Regular ADA	1,147.61	N/A	1,148.29	N/A
Extended Year Special Education	0.67	N/A	1.54	N/A
Total TK/K-3	<u>1,148.28</u>	<u>N/A</u>	<u>1,149.83</u>	<u>N/A</u>
Grades 4-6				
Regular ADA	782.41	N/A	777.82	N/A
Extended Year Special Education	0.28	N/A	0.79	N/A
Total Grades 4-6	<u>782.69</u>	<u>N/A</u>	<u>778.61</u>	<u>N/A</u>
Grades 7-8				
Regular ADA	556.58	N/A	555.99	N/A
Extended Year Special Education	0.22	N/A	0.50	N/A
Total Grades 7-8	<u>556.80</u>	<u>N/A</u>	<u>556.49</u>	<u>N/A</u>
Grades 9-12				
Regular ADA	901.33	N/A	883.00	N/A
Extended Year Special Education	0.65	N/A	1.46	N/A
Total Grades 9-12	<u>901.98</u>	<u>N/A</u>	<u>884.46</u>	<u>N/A</u>
Total ADA	<u><u>3,389.75</u></u>	<u><u>N/A</u></u>	<u><u>3,369.39</u></u>	<u><u>N/A</u></u>

N/A – There were no audit findings which resulted in necessary revisions to 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Del Norte County Schools

Schedule of Average Daily Attendance – Castle Rock Charter School
 Year Ended June 30, 2019

Castle Rock Charter School

	Second Period Report		Annual Report	
	Original 8FA1FF49	Revised	Original BCEE8150	Revised
TK/K-3				
Non-Classroom Based ADA	28.68	N/A	28.61	N/A
Total TK/K-3	28.68	N/A	28.61	N/A
Grades 4-6				
Non-Classroom Based ADA	31.65	N/A	31.47	N/A
Total Grades 4-6	31.65	N/A	31.47	N/A
Grades 7-8				
Non-Classroom Based ADA	46.88	N/A	49.66	N/A
Total Grades 7-8	46.88	N/A	49.66	N/A
Grades 9-12				
Non-Classroom Based ADA	230.33	N/A	229.12	N/A
Total Grades 9-12	230.33	N/A	229.12	N/A
Total Non-Classroom Based ADA	337.54	N/A	338.86	N/A

N/A – There were no audit findings which resulted in necessary revisions to 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Del Norte County Schools

Schedule of Instructional Time

Year Ended June 30, 2019

Del Norte Unified School District

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Transitional Kindergarten	36,000	45,000	180	Complied
Kindergarten	36,000	45,000	180	Complied
1st Grade	50,400	50,880	180	Complied
2nd Grade	50,400	50,880	180	Complied
3rd Grade	50,400	53,700	180	Complied
4th Grade	54,000	54,600	180	Complied
5th Grade	54,000	54,600	180	Complied
6th Grade	54,000	57,280	180	Complied
7th Grade	54,000	57,280	180	Complied
8th Grade	54,000	57,280	180	Complied
9th Grade	64,800	64,861	180	Complied
10th Grade	64,800	64,861	180	Complied
11th Grade	64,800	64,861	180	Complied
12th Grade	64,800	64,861	180	Complied

Note: This section is not applicable to county offices of education. In addition, this section is not applicable to Castle Rock Charter School because the school is a non-classroom based charter school.

School districts must maintain their instructional minutes as defined in Education Code §46201 through §46207. This schedule is required of all school districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 §46201 through §46207. The District has met or exceeded its target funding.

Del Norte County Schools

Schedule of Financial Trends and Analysis – General Fund Year Ended June 30, 2019

General Fund	Budget 2020 (See Note 1)	2019	2018	2017
Revenues and Other Financing Sources	\$ 44,443,625	\$ 48,186,373	\$ 42,647,942	\$ 40,958,287
Expenditures and Other Financing Uses	44,894,381	48,063,762	43,874,142	39,709,978
Net Change in Fund Balance	(450,756)	122,611	(1,226,200)	1,248,309
Ending Fund Balance	<u>\$ 6,333,376</u>	<u>\$ 6,784,132</u>	<u>\$ 6,661,521</u>	<u>\$ 7,887,721</u>
Available Reserves	<u>\$ 3,206,573</u>	<u>\$ 5,649,311</u>	<u>\$ 3,298,181</u>	<u>\$ 2,863,132</u>
Available Reserves as a Percentage of Total Outgo	<u>7.14%</u>	<u>11.75%</u>	<u>7.52%</u>	<u>7.21%</u>
Long Term Debt	<u>\$ 37,947,197</u>	<u>\$ 20,358,727</u>	<u>\$ 21,280,493</u>	<u>\$ 19,107,584</u>
Average Daily Attendance at P2	<u>3,361</u>	<u>3,390</u>	<u>3,389</u>	<u>3,317</u>

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

The general fund balance has decreased by \$1,103,589 (14.0%) over the past two years. The fiscal year 2019-20 budget projects a decrease of \$450,756 (6.6%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures and other financing uses (total outgo).

Total long-term debt has increased by \$1,251,143 over the past two years.

Average daily attendance has increased by 73 over the past two years.

Notes:

1. Budget 2020 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances contained within the general fund.
3. Total long-term debt consists of general obligation bonds payable and capital leases payable.

Del Norte County Schools

Schedule of Financial Trends and Analysis – County School Services Fund Year Ended June 30, 2019

County School Service Fund	Budget 2020 (See Note 1)	2019	2018	2017
Revenues and Other Financing Sources	\$ 5,489,816	\$ 6,008,598	\$ 4,332,511	\$ 4,462,041
Expenditures and Other Financing Uses	5,307,971	5,296,092	4,075,302	4,463,721
Net Change in Fund Balance	181,845	712,506	257,209	(1,680)
Ending Fund Balance	<u>\$ 1,785,227</u>	<u>\$ 1,603,382</u>	<u>\$ 890,876</u>	<u>\$ 633,667</u>
Available Reserves	<u>\$ 998,902</u>	<u>\$ 721,557</u>	<u>\$ 377,151</u>	<u>\$ 215,503</u>
Available Reserves as a Percentage of Total Outgo	<u>18.82%</u>	<u>13.62%</u>	<u>9.25%</u>	<u>4.83%</u>
Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Average Daily Attendance at P2	<u>53</u>	<u>41</u>	<u>20</u>	<u>21</u>

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

The county school service fund balance has increased by \$969,715 (153%) over the past two years. The fiscal year 2019-20 budget projects an increase of \$181,845 (11.3%). For a district of this size, the State recommends available reserves of at least 4% of total general fund expenditures and other financing uses (total outgo).

Average daily attendance has increased by 20 over the past two years.

Notes:

1. Budget 2020 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances contained within the general fund.

Del Norte County Schools

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2019

The fund balances for all funds as reported by Del Norte County Schools in their unaudited financial statements are in agreement with the fund balances reported in the accompanying audited financial statements.

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Annual Financial and Budget Report with the audited financial statements. Funds that required no adjustment are not presented.

Del Norte County Schools

Schedule of Charter Schools

Year Ended June 30, 2019

As of June 30, 2019, Del Norte County Schools authorized the following charter schools:

<u>Charter School Name</u>	<u>Charter School Number</u>	<u>Included in Audit Report</u>
Castle Rock Charter School	#0358	Yes
Uncharted Shores Academy	#0859	No

Del Norte County Schools

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Total Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U.S. Department of Agriculture</u>				
Passed through California Department of Education				
School Breakfast Program	10.553	13526	\$ -	\$ 516,812
National School Lunch Program	10.555	13523	-	1,166,185
National School Lunch Program - Noncash Commodities	10.555	13392	-	177,490
Total Child Nutrition Cluster			-	1,860,487
CHILD DEVELOPMENT CLUSTER:				
<u>U.S. Department of Health and Human Services</u>				
Passed through California Department of Education				
Child Development Quality Improvement	93.575	13979	-	10,232
Child Development Local Planning	93.575	13946	-	55,896
Total Child Development Cluster			-	66,128
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	-	827,772
IDEA Preschool Grants	84.173	13430	-	43,084
Total Special Education (IDEA) Cluster			-	870,856
OTHER PROGRAMS:				
<u>U.S. Department of Agriculture</u>				
Direct Program				
Forest Reserve Funds	10.665	-	-	520,019
Passed through California Department of Education				
Child and Adult Care Food Program	10.558	13666	-	389,166
Fress Fruit & Vegetable Program	10.582	14686	-	4,594
<u>U.S. Department of Health and Human Services</u>				
Passed through California Department of Education				
Early Head Start	93.600	15291	-	106,943
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
Title I	84.010	14329	-	1,583,723
Title I Local Delinquent	84.010	14357	-	125,180
Carl D. Perkins Career & Technical Education	84.048	14894	-	47,212
Indian Education	84.060	10011	-	502,751
Workability - Transition Partnership	84.126	10006	-	246,271
IDEA Early Intervention	84.181	23761	-	9,855
Homeless Education	84.196	14332	-	25,000
Rural & Low Income Schools	84.358	14356	-	125,435
Title III English Learner Student Program	84.365	14346	-	25,423
Title III Technical Assistance	84.365	14967	-	10,962
Title II Supporting Effective Instruction	84.367	14341	-	193,991
Title IV Student Support & Academic Enrichment	84.424	15396	-	7,470
Total Other Programs			-	3,923,995
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 6,721,466

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Del Norte County Schools

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The District used an indirect cost rate of 14.71% for the Del Norte County Office of Education and 3.96 for Del Norte Unified School District based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*.

Schoolwide Program

The District operates “schoolwide programs” at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it’s schoolwide programs:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$ 1,583,723

Other Independent Auditors' Reports

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

To the Board of Education
Del Norte County Schools
Crescent City, California

Report on Compliance for Each Major Federal Program

We have audited Del Norte County Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Del Norte County Schools' major federal programs for the year ended June 30, 2019. Del Norte County Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Del Norte County Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Del Norte County Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Del Norte County Schools 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 Del Norte County Schools' 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 Del Norte County Schools' internal control over compliance.

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

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

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

Wilkinson Hadley King + Co LLP

El Cajon, California
January 31, 2020

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

To the Board of Education
Del Norte County Schools
Crescent City, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the related notes to the financial statements of Del Norte County Schools (District), as of and for the year ended June 30, 2019, which collectively comprise the Del Norte County School's basic financial statements, and have issued our report thereon dated January 31, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Del Norte County Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Del Norte County Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Del Norte County Schools' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Del Norte County Schools' 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

Del Norte County Schools' Response to Findings

Del Norte County Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Del Norte County Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King + Co LLP

El Cajon, California
January 31, 2020

Independent Auditor's Report on State Compliance

To the Board of Education
Del Norte County Schools
Crescent City, California

Report on State Compliance

We have audited the Del Norte County Schools' compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the school's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit Guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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 State's audit guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and 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 direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school'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. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

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

Local Education Agencies Other Than Charter Schools

A. Attendance.....	Yes
B. Teacher Certification and Misassignments.....	Yes
C. Kindergarten Continuance.....	Yes
D. Independent Study.....	Yes
E. Continuation Education.....	Yes
F. Instructional Time.....	Yes
G. Instructional Materials.....	Yes
H. Ratio of Administrative Employees to Teachers.....	Yes
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	Yes
L. School Accountability Report Card.....	Yes
M. Juvenile Court Schools.....	Yes
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	Yes
P. Transportation Maintenance of Effort.....	Yes
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	Yes
S. District of Choice.....	N/A

School Districts, County Offices of Education, and Charter Schools

T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	Yes
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A

Charter Schools

AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom Based Instruction.....	Yes
EE. Annual Instructional Minutes - Classroom Based.....	N/A
FF. Charter School Facility Grant Program.....	N/A

The term N/A is used above to mean either the school did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Del Norte County Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the States audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

Del Norte County Schools' Response to Findings

Del Norte County Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Del Norte County Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California

January 31, 2020

Auditor's Results, Findings & Recommendations

Del Norte County Schools

Schedule of Auditor's Results

Year Ended June 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

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

Compliance supplement utilized for single audit August 2019

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.173	Special Education Cluster
84.367	Title II Supporting Effective Instruction

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

Any audit findings disclosed that are required to be reported in accordance with *2018-19 Guide for Annual Audits of California K-12 Local Education Agencies?* X Yes No

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

Del Norte County Schools

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

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

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

Finding Number: 2019-001
Repeat Finding: No
Program Name: Attendance Reporting
Questioned Costs: None
Type of Finding: State Compliance – Attendance (10000)

Criteria or Specific Requirement

Education Code §46000 requires that attendance in all schools and classes be recorded and kept in according to regulations prescribed by the State Board of Education. Education Code §44809 and the California Code of Regulations, Title 5, Section 401 require that the California Department of Education approves forms and procedures that constitute a District’s attendance accounting system. Del Norte County Schools has an approved attendance system in place which requires teachers to sign attendance verifying accuracy within one week of the attendance period ending.

Del Norte County Schools

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

Condition

During our review of teacher verification of attendance, we noted that teachers at three school sites were not consistently verifying attendance within one week of attendance being taken.

Cause

School site personnel are not consistently following district established processes that have been approved by the California Department of Education. There is not currently a monitoring process over attendance accounting to ensure all sites are following procedures consistently.

Effect

The District is at risk of misstating attendance as the verification process is a key internal control over compliance to attendance reporting requirements.

Context

We audited attendance at two out of five school sites noting that three school sites appeared to have some instances of noncompliance to the attendance processes established by the District and approved by the California Department of Education.

Additional procedures were performed to ensure that attendance was reported correctly. We reviewed audit trail reports and determined that teachers are logging into the attendance system daily and inputting attendance directly into the system. Since the attendance is input directly into the attendance system by individuals with firsthand knowledge of actual attendance, we determined that the attendance in the system, and therefore the attendance reported, appears to be correctly stated. No adjustment to ADA was deemed necessary.

Recommendation

Provide training to all attendance clerks regarding the District's established and approved attendance procedures. Establish monitoring procedures to ensure that all school sites are following established procedures. Establish enforcement processes, including evaluation of principals and attendance personnel, based on following District established procedures.

Views of Responsible Officials

See Corrective Action Plan

Del Norte County Schools

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

Finding Number: 2019-002
Repeat Finding: No
Program Name: After School Education and Safety Program
Questioned Costs: None
Type of Finding: State Compliance – Other (40000)

Criteria or Specific Requirement

- A. Determine whether the District has a process or procedure that gives first priority for enrollment to pupils who are identified by the program as homeless youth or in foster care at the time they apply for enrollment; and for each middle or junior high school in the sample, second priority for enrollment to pupils who attend daily.
- B. If any pupil in the sample selected attended for less than the full day of the program, verify the reason for early release was consistent with the established early release policy.

Condition

- A. The District was not able to provide a copy of the priority enrollment policies; as such, auditors were not able to determine whether first priority for enrollment was provided to pupils who are identified by the program as homeless youth or in foster care.
- B. In review of attendance in the after-school education and safety program, auditor noted that the majority of students left early; however, the reason for early release was not documented. Auditor could not verify whether the reason for early release was consistent with established early release policies.

Cause

- A. District personnel were not able to locate priority enrollment policies to provide to the auditor.
- B. Site personnel were not ensuring parents documented reason for early release when picking up their children from the program.

Effect

- A. The District may be out of compliance with Education Code Sections 8483(c)(1)(A) and 8483(d)(1)(A).
- B. The District may be out of compliance with Education Code Section 8483(a)(2).

Context

- A. AB1567, which passed September 21, 2016 with an effective date of July 1, 2016, revised Education Code Section 8483 to require priority enrollment be provided to students who are identified as homeless youth or in foster care at the time they apply for enrollment in the program.
- B. Education Code Section 8483(a)(2) states that students should participate in the full day of the program except as allowed by the established early release policy.

Del Norte County Schools

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

Recommendation

- A. Update written policies and procedures to provide priority enrollment to students who are identified as homeless youth or foster students. Establish procedures to ensure all departments are made aware of law changes which require revisions to policies and procedures. Keep policies and procedures available for audit purposes.

- B. Establish processes to ensure that early release is documented to ensure that the reasons for early release are consistent with the District's established early release policy.

Views of Responsible Officials

See Corrective Action Plan

Finding Number: 2019-003
Repeat Finding: Yes
Program Name: LCFF Unduplicated Pupil Counts
Questioned Costs: None
Type of Finding: State Compliance – Other (40000)

Criteria or Specific Requirement

Verify that students reported as free or reduced priced meal eligible on the form "1.18-FRPM/English Learner/Foster Youth – Student List" is supported by documentation that indicated the student was eligible for the designation such as Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collections form that indicates the student was eligible for the designation, or a direct certification list obtained from the County Welfare Department or County Office of Education that matches enrolled students against those children/households receiving CalFresh (or CalWORKS) benefits.

Condition

When transferring students from Del Norte Unified School District to Del Norte County Office of Education students for disciplinary reasons, students were inadvertently coded to "Other Transfer" instead of "Disciplinary COE School Transfer". Consequently, the students were not counted for supplemental and concentration grant at the Del Norte County Office of Education.

Cause

Codes and code translations between the student information system and the CalPADS reporting system incorrectly categorized these students into the wrong transfer category.

Del Norte County Schools

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2019

Effect

County Unduplicated Pupil Percentage calculations showed students as district funded rather than county funded for 10 students resulting in Supplemental and Concentration grants being underfunded.

Audit adjustments to the count are as follows:

Del Norte County Office of Education County Unduplicated Pupil Percentage

Enrollment [EC 2574(b)]	Enrollment Reported	Audit Adjustments	Adjusted Counts
Juvenile Court School Students (Line A-2)	9	-	9
District Funded County Program Students (Line A-3)	20	(10)	10
County Funded Non-Juvenile Court School Students (Line A-5)	-	10	10
Total Enrollment	29	-	29

Unduplicated Pupil Count [EC 2574(b)]	Unduplicated Pupil Counts Reported	Audit Adjustments	Adjusted Counts
Juvenile Court School Students (Line B-2)	9	-	9
County Funded Non-Juvenile Court School Students (Line B-5)	-	10	10
Total Unduplicated Pupil Counts	9	10	19

Adjustments to unduplicated pupil counts were based on 100% testing and were not an extrapolation of error rate.

Context

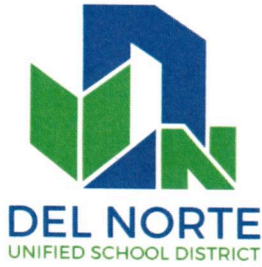
Supplemental grant amounts (as part of the LCFF funding) are calculated based on the percentage of “unduplicated pupils” enrolled in the District on the Census Day (first Wednesday in October). We audited a total of eighty-nine students across the district eligible as ELAS, FRPM, or eligible under both categories. We found no errors in EL documentation which accounted for seventy-two students in our sample. We found six errors out of the remaining seventeen students tested in the FRPM category eligibility.

Recommendation

Correct errors in the information system to ensure students are properly reported correctly.

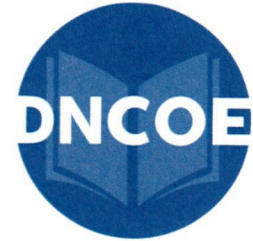
Views of Responsible Officials

See Corrective Action Plan



**DEL NORTE UNIFIED SCHOOL DISTRICT
DEL NORTE COUNTY OFFICE OF EDUCATION**

Jeff Harris, District and County Superintendent
301 W. Washington Boulevard
Crescent City, CA 95531
Office: (707) 464-0200 Fax: (707) 464-0238



Board Members: Don McArthur Area 1 Angela Greenough Area 2 Frank Magarino Area 3 Roger Daley Area 4 Jamie Forkner Area 5

January 31, 2020

To Whom it May Concern:

The accompanying Corrective Action Plan has been prepared as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeff Napier', is written over a vertical line.

Jeff Napier
Assistant Superintendent
Business Services

Del Norte County Schools

Corrective Action Plan
Year Ended June 30, 2019

State Compliance Findings

Finding Number: 2019-001
Program Name: Attendance Reporting
Contact Person: Jeff Napier
Anticipated Completion Date: March 31, 2020

Planned Corrective Action: The District will provide training to all attendance clerks regarding the District's established and approved attendance procedures. In addition, the District will establish monitoring procedures to ensure that all school sites are following established procedures. Finally, the District will establish enforcement processes, including evaluation of principals and attendance personnel, based on following District established procedures.

Finding Number: 2019-002
Program Name: After School Education and Safety Program
Contact Person: Thomas Kissinger
Anticipated Completion Date: March 31, 2020

Planned Corrective Action: The District will update written policies and procedures to provide priority enrollment to students who are identified as homeless youth or foster students. The District will establish procedures to ensure all departments are made aware of law changes which require revisions to policies and procedures. Updated policies and procedures will be made available to auditors in subsequent audits.

Finding Number: 2019-003
Program Name: Unduplicated Pupil Counts
Contact Person: Ryan Bahten
Completion Date: January 15, 2020

Planned Corrective Action: The District has corrected errors in the information system to ensure students are properly reported.

Del Norte County Schools
Schedule of Prior Year Audit Findings
Year Ended June 30, 2019

Finding/Recommendation	Status	Explanation if Not Implemented
There were no prior year findings or questioned costs.		