

NEWCASTLE ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2022

NEWCASTLE ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Newcastle Elementary School District
Newcastle, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newcastle Elementary School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Newcastle Elementary School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newcastle Elementary School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. As a result of this implementation, beginning governmental activities net position was restated by \$457,025. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 17 and the General Fund Budgetary Comparison Schedule, the Charter School Fund Budgetary Comparison Schedule the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 47 to 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newcastle Elementary School District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited", was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the Newcastle Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Newcastle Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Newcastle Elementary School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
December 9, 2022

Newcastle Elementary School District
Management's Discussion and Analysis
For the year ending June 30, 2022

Financial Reports:

The financial reports included in the financial statements for the Newcastle Elementary School District are the Management's Discussion and Analysis (MD&A), Government-Wide Statement of Net Position and Government-Wide Statement of Activities. The MD&A is management's view of the District's financial condition and provides an opportunity to discuss important fiscal issues.

The government-wide financial statements include all fixed assets. The value of all assets, including building, land, and capitalized equipment (over \$5,000 value) net of depreciation is being reported in the audit. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is one indicator of whether its fiscal health is improving or declining. Land is accounted for at purchase cost, not market value, and is not depreciated.

This Management's Discussion and Analysis represents the District's view of its financial performance for the fiscal year reporting on and is intended to be read in conjunction with the District's audited financial statements for the same period.

District Profile:

The Newcastle Elementary School District is located in Placer County at the gateway to the foothills. Up through the 2004/05 school year, the District was comprised of one K-8 school (Newcastle Elementary School). Beginning with the 2005/06 school year, the District began to expand by becoming the sponsoring local educational agency (LEA) for charter schools. Below is a summary of each individual school that is part of the District.

Newcastle Elementary School (NES): This is the original school of the District, first located at 9050 Old State Highway on land that is still owned by the District. It opened in 1865 with 44 students in grades 1-8. Permanent location is now at 8951 Valley View Dr, Newcastle.

- 2021-22 ADA was held harmless at 19/20 P2 177.66 but actual ADA was 150.13

Dependent Charter School

Financial reporting is included in the NESD audit

Newcastle Charter School (NCS): As the first charter school of the District, NCS opened its doors in 2005. This is a classroom-based program that, by design, is housed on the same school site and co-mingles charter and non-charter students in the classrooms. NCS was established for two reasons: 1) as a response to our stakeholders' request to promote a parent's right to choose the best educational setting for their children and 2) to promote STEM and visual/performing arts within the district setting.

- 2021-22 ADA was P2 241.2

Independent Charter Schools

Financial reporting is not included as part of the NESD audit

Harvest Ridge Cooperative Charter School (HRCCS): With the success of the CCS program in 2009 (see Independent Charter Schools below) came the desire for a similar hybrid program closer to home and in August of 2010, the District expanded once again with the opening of HRCCS, located on the original school site of NES, whereby they lease their classrooms from the District. This location is less than 1 mile from the existing NES/NCS school site and District Office locations. HRCCS began as a K-6 program and was designed in the same hybrid format as CCS (non-classroom based).

- Added a 7/8 class beginning in 2011 in addition to starting a home school independent study program.
- Expanded in August 2013 with the opening of Harvest Ridge Placer Academy (HRPA), a separate learning center of HRCCS serving grades K-8.
- Effective 7/1/18 Placer Academy became an independent charter sponsored by Rocklin Unified School District and is no longer a part of Harvest Ridge
- In 2019-20 Harvest Ridge started a Home School Program whose ADA has surpassed the in-person program

- 2021-22 Total P2 ADA was 262.17

Creekside Charter School (CCS): Opened in August of 2009, the district began its charter school expansion by being the sponsoring LEA/District for Creekside Cooperative Charter School, located in Palisades Tahoe (formally Squaw Valley) in Placer County. Due to their student population coming from Nevada, Placer & El Dorado Counties, and CCS was searching for a District within Placer County that would approve their charter request and found their way to Newcastle. CCS started as a dependent charter of the District serving grades K-6 and was originally located in Tahoe City. Creekside is an independent study (non-classroom based) program as defined by SB 740. It is a hybrid program, combining classroom instruction opportunities with non-site based academic activities. Attendance is tracked through learning conferences that take place at least every 20 school days, through learning records, work records, instructional logs, and student work samples.

- Expanded to add grades 7 & 8.
- Petitioned and was approved to become an Independent Charter School of the District beginning with the 2013/14 school year. CCS relocated to Palisades Tahoe (formally Squaw Valley), changed structure (back to K-6), and became one of two charter schools run by Creekside Charter Management.

- 2021-22 P2 ADA was 228.11

Squaw Valley Prep (SVP): Squaw Valley Prep opened its doors in 2013 to operate in conjunction with Creekside Charter. It is the secondary level school of Creekside Charter Management and was established to serve grades 7-12. Students in grades 7-10 were housed in a separate building on the same campus as Creekside Charter with expansion to grade 12 happening as the current grade levels are promoted each year. In 2016/2017 SVP became an online 7-12 school. Due to declining enrollment the CCM board decided that 2017/2018 would be the last year of SVP.

Rocklin Academy – Gateway: Expanding again with the approval of a petition submitted by Rocklin Academy Family of Schools for the 2013/14 school year, the District was set to double its size overnight. Due to facility issues though, the opening of RA Gateway’s classroom-based program was delayed until the 2014/15 school year. The 2016/2017 school year brought the addition to 8th grade RA Gateway and enrollment to reach 1000+ students from surrounding areas. This is the 4th school for Rocklin Academy Family of Schools, and there are four other schools that are sponsored by a district other than NESD.

- 2021-22 P2 ADA 1,102.6

Golden Valley Tahoe Charter School ~ Opened on 7/1/18 in the Tahoe area that offers a free Waldorf education and is part of Golden Valley Charter Schools which includes 2 other schools located in the Sacramento area. This classroom-based program began to develop a culture of regular student attendance, after enrolling mostly children who had been homeschooled. They started as a K-3 and will organically grow one grade a year up to 8th grade.

In the 2021-22 school year, the Golden Valley Tahoe Charter School closed its doors on March 11, 2022.

- 2021-22 Final ADA 69.83

Most of our NES/NCS school buildings were constructed in 1963. The District owns the buildings that HRCCS leases for its program. Major additions since 1963 are as follows:

1. The District added a gym/multipurpose building in the early 1990’s.
2. The District went through a modernization project in 2001 with upgrades to the HVAC systems, walkways, overhangs, and roof and gymnasium floor.
3. A portable restroom was added to the current site in 2002.
4. The amphitheater project was completed in 2004 with a dedication ceremony being held in May 2004.
5. Two used portable classrooms were purchased during the 2006/07 school year. In 2016/17 one housed a Transitional Kindergarten class, and the other is used for our music program during the day and then the afterschool childcare program. The District leases one on-site built classroom from PCOE for its middle grade classes which was paid off in 2016/17 school year.
6. Two new portable classrooms were purchased and installed on a permanent foundation during the 2007/08 school year. These house our Kindergarten classrooms.
7. Project Fit PE structures were installed on the primary playground January 2007.
8. Demolition of an old shed used to store equipment, furniture and a working kiln was completed in June 2007 and a new 10’x70’ Tuff Shed was ordered and installed in July 2007.
9. In May of 2008 reserved funding from 8th grade “gifts to the school” along with PTC donations was used to build a shed by the amphitheater to store graduation decorations and PTC materials.
10. Deferred Maintenance funding was used in the spring of 2008 to install a new HVAC unit and replace the duct work in the office.

11. A greenhouse was purchased and installed during the summer of 2008 using a school garden grant from the state. This was dismantled in 2015/16 due to age and safety concerns.
12. A new multi-level play structure for Kindergarten was installed in November 2008.
13. PE Office/shed and storage shed for books added to the NES/NCS site in September 2012.
14. A patio and brick planter boxes were added in February 2013.
15. Playground equipment installed at HRCCS site in June 2013.
16. A portable classroom was installed on the NES/NCS school site during the summer of 2013.
17. District Office relocated from the NES/NCS school site to downtown Newcastle (450 Main St.) during the summer of 2013.
18. Fire hydrants installed and supply water lines upgraded the summer of 2014.
19. New roofing installed on NES/NCS buildings/classrooms (except the gym). During the summer of 2014.
20. A portable classroom was installed on the Harvest Ridge campus in October 2015.
21. Prop 39 Energy Efficiency projects began in the summer of 2016 which includes light replacements, water conservation and HVAC upgrades. The HVAC was replaced on the gym at NES/NCS in August of 2016.
22. Cool roof was installed on the property that Harvest Ridge is located
23. 2017/18 NESD purchased the Kentucky Greens property from the Placer County Office of Education (PCOE) adding 3 buildings, 22 acres and 1 MOT facility to NESD's Assets
 - District office was moved from Main Street to 645 Kentucky Greens
 - 7-8 Grade was moved from the upper campus to the 600 Building
 - PCOE's maintenance and operations continues to reside in the MOT buildings in exchange for 100 hours/ month of landscaping services
 - Onorato is currently leased by PCOE for Special Education Programs
24. Phase I of the NESD modernization plan started in the summer of 2017/18 with the parking lot at 8951 Valley View being redesigned to include a roundabout to reduce neighborhood traffic
25. As part of Phase I all ADA access, in front of the school, was brought to compliance
26. Phase II of the NESD modernization plan started in the summer of 2018/19 and brought major renovations to all classrooms in the upper campus, school office, library, bathrooms, and staff break room. The lower campus had two more classrooms built and 6th grade was moved to the 600 building. All the bathrooms at the lower campus were renovated and a conference, work room and break room were added. All electrical and plumbing were upgraded, and new water fountains were installed.
27. Phase III, the final phase of the NESD modernization plan, started in the summer of 2019/20. This included exterior painting and dry rot repair of all district buildings on the upper campus, reconstruction of the quad patio between the 100 and 200 buildings, installation of canopies throughout the campus, new down spouts on all buildings, campus landscaping, new ramp and stairs going down to the 1st - 3rd playground. The 600-building exterior and gym were also paint
28. In 2020-21 the large 2 door freezer in the cafeteria was replaced.
29. In 2020-21 Bard Wall Mount HVAC was replaced on a portable at the MOT area of the Kentucky Greens property which is leased by PCOE.

- 30. In 2021-22 ropes play structure was donated to the school district from the PTC. It was installed on the lower campus by the district office. The district paid for the removal of the old play structure, the installation of the new play structure and for cement work to expand the curbing.

2021-2022 Staffing

- NES/NCS staff consists of 27.5 Certificated FTE (full-time equivalency) and 17.00 Classified FTE which consists of :

FTE	Certificated	FTE	Classified
1	Principal	3.6	Classified Student Support
19	General Education Teachers	1.0	Counselor
.25	Teacher on Special Assignment	2.9	Custodians
1.0	PE Teacher	1.0	Director of Facilities/Technology
.8	*Spanish Teacher	1.0	Director of Food Service
1.0	RSP Teachers	.75	Short Term Intervention Aide
1.0	Speech Teacher	2.25	RSP Aides
1.0	Psychologist	.79	RSP Clerk
.75	Curriculum Coordinator	1.0	School Secretary
1.0	Director of Special Ed	.5	Food Service Assistant
		1.0	Technology Assistant
26.8		15.8	

- NES/NCS continued the minimum days on Mondays which provides common planning time to all certificated staff for 1 hour their normal contract day. For the
- CTA is the bargaining unit representative for the certificated staff and CSEA represents the classified staff.
- District Office: 5.0 FTE for the following positions: Superintendent, Executive Assistant, Chief Business Official, Business Tech 1, and District Staff Secretary

District Vision:

The Newcastle Elementary School District is committed to working in partnership with students, teachers, parents, and community to provide every student with a personalized, challenging, academic program that develops 21st Century skills necessary to become active and effective global citizens. Each child's innate ability will be supported in a caring, interactive, project/inquiry-based learning environment with an emphasis on strong character and personal value.

District Core Values

- All decisions are based upon what is best for students.
- All students can be successful in the right environment.
- A safe positive and nurturing learning environment fosters forward thinking, creativity and collaboration.

- *Social, emotional, physical, and academic growth are all equally important in the education of each child.*
- *Parents are partners in providing a quality education.*
- *Strong staff and parent relationships require open communication and transparency of process.*

Reporting the District as a Whole:

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Net Position is the difference between assets and liabilities and is one way to measure the District’s fiscal health, or financial position. In contrast, the individual fund statements focus on reporting the District’s operations in more detail.

The major funds for the District are:

Fund 01	General Fund – Newcastle Elementary School District
Fund 09	Charter School Fund - Newcastle Charter School
Fund 35	County School Facilities Fund

The non-major funds for the District are:

Fund 08	Student Activities Fund
Fund 13	Cafeteria Fund
Fund 14	Deferred Maintenance
Fund 25	Capital Facilities Fund
Fund 40	Special Reserves for Capital Outlay

The *Statement of Net Position* for the Newcastle Elementary School District reflects the following information for Governmental Activities:

	June 30, 2022	June 30, 2021
Assets	\$24,876,261	\$23,317,518
Deferred Outflows	\$1,272,417	\$1,811,829
Deferred Inflows	(\$3,997,058)	(\$1,486,000)
Liabilities	(\$8,767,322)	(\$10,837,929)
Net Position	\$ 13,384,298	\$ 12,805,417

Net position considers the value of the land, buildings and equipment owned by the District as well as all liabilities such as long-term debt payment obligations and accounts payable at year-end. Depreciation on the buildings and equipment is also included.

Table 1 below represents a condensed income statement for Government Wide Statement of Activities. A more detailed table can be found within the audited financial statements.

Table 1 – Statement of Activities

Statement of Activities - for the District as a Whole			
Revenues:	<u>2021/22</u>	<u>2020/21</u>	
General Revenues	\$4,573,084	\$4,480,490	
Program Revenues	<u>\$2,696,273</u>	<u>\$1,773,614</u>	
Total Revenues	\$7,269,357	\$6,254,104	
Expenditures:			
Instruction	\$3,874,512	\$4,384,350	
Instruction related services	\$ 994,144	\$ 948,167	
Plant services	\$836,013	\$940,999	
Other	<u>\$1,442,833</u>	<u>\$1,590,548</u>	
Total Expenditures	\$7,147,502	7,864,064	
<i>Change in net positions</i>	<i>\$121,855</i>	<i>(\$1,609,960)</i>	
<i>Plus GASB 87</i>	<i>\$457,025</i>	<i>\$53,871</i>	<i>GASB 84</i>
<i>Net Position</i>			
Beginning of year	\$12,805,418	\$14,361,507	
End of year	\$13,384,298	\$12,805,418	

Total assets are reflected in Table 2 below.

Table 2 – Assets

Assets	2021/22	2020/21
Cash	\$5,086,358	\$3,835,461
Receivables	\$1,389,650	\$1,175,107
Lease Receivables	\$477,058	\$0
Stores Inventory	\$1,644	\$1,908
Prepaid Expenses	\$35,391	\$9,574
Non-depreciated Assets	\$788,000	\$788,000
Depreciated Assets	\$19,768,651	\$21,585,434
Accumulated Depreciation	(\$3,649,495)	(\$4,077,966)
Leased Assets, net	\$979,004	\$0
Total Assets	\$24,876,261	\$23,317,518

Table 3 represents a summary detail of Capital Assets for the District.
Table 3 – Capital Assets

Capital Assets at Year End (Net of Depreciation)		
Capital Assets Not Being Depreciated	Original Cost	
Land	\$788,000	
Work in Progress	0	
Total	\$788,000	
Capital Assets Being Depreciated	Value 6/30/22	Value 6/30/21
Improvement of Sites	\$526,425	\$1,027,445
Buildings	\$18,396,589	\$19,772,765
Equipment	\$845,637	\$764,662
Leased assets	1,060,688	
Total	\$20,829,339	\$21,585,434
Accumulated Depreciation	(\$3,731,179)	(\$4,077,966)

Table 4 represents a comparative of District liabilities for the current and prior year
Table 4 – Liabilities

Liabilities	2021/22	2020/21
Accounts Payable & Other Current	\$1,521,158	\$527,521
Unearned Revenues	\$182,975	\$0
Long-term Liabilities	\$7,063,189	\$10,310,408
Total Liabilities	\$8,767,322	\$10,837,929

Table 5 gives a detail summary of long-term liabilities for the current and prior year
Table 5 – Long-term Liabilities

Long-term Liabilities at Year End		
Type	Balance as of 6/30/22	Balance as of 6/30/21
Notes Payable	\$2,656,560	\$2,729,120
Leases Payable	\$ 979,040	\$ 988,234
Net Pension Liability	\$3,382,000	\$6,528,000
Post Employment Benefits (Retiree Health & Welfare)	\$38,000	\$52,250
Compensated Absences Payable	\$7,589	\$12,804
Total	\$7,063,189	\$10,310,408

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 programs.

Newcastle School District has one type of funds:

- Governmental funds – Most of the District’s basic services are included in the governmental funds, which generally focus on: (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

Governmental Funds:

General Fund Revenues

Revenues to operate the District are posted to 4 main categories, based on whom they are from.

The categories reflected in the financial statements are as follows:

- Local Control Funding Formula (LCFF) Revenues from the State – which is unrestricted in its use and pays for the “meat and potatoes” part of District operations based on ADA and supplemental needs.
- Other State Revenues – which can be both restricted and unrestricted depending on the source of funding.
- Federal Revenues – which are restricted in their use and assigned to specific programs.
- Other Local Revenues – which can be both “site” restricted and unrestricted, depending on the intended purpose for the revenue.

Ending Fund Balances	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
General Fund	2,068,766	3,795,902	3,645,346	3,835,130	3,304,595	2,693,984
Charter Fund	1,297,634	208,595	336,301	304,252	370,802	157,787
Cafeteria Fund	39,918	32,838	34,126	26,122	14,438	166,494
Deferred Maintenance Fund	298,007	385,774	352,065	322,628	251,845	214,339
Capital Facilities Fund	11,342	14,078	8,705	24,645	66,519	90,143
Special Reserve for Capital Outlay Fund	9,659,968	3,840,568	3,449,018	523,421	454,579	435,437
Student Activity Special Revenue Fund	0	0	0	0	35,405	35,075
Schools Facilities Fund	0	0	0	0	0	1,018,938
Total Governmental Funds	13,375,635	8,277,755	7,825,561	5,036,198	4,498,183	4,812,197

State Funding of Education:

California School Districts receive a significant portion of their funding from State Appropriations. As a result, changes in State revenues will significantly affect appropriations made by the legislature to school districts. Beginning with the 2013/14 school year, the State changed the way it calculated State Aid for schools, changing from the Revenue Limit format used for the last 40 years to the Local Control Funding Formula (LCFF). For the year ending 6/30/22, Local Control Funding Formula represented approximately 70% of the total revenue. The LCFF model combined all of the state categorical programs, apart from Special Education and State Lottery, to become part of unrestricted general revenue instead of receiving individual entitlements as in past years. However categorical programs are making a comeback with the various one-time, restricted funds that are targeted towards mitigating learning loss due to the COVID 19 pandemic.

Annual State appropriations are computed based on average daily attendance (ADA). This is unrestricted revenue that is used to pay for most daily operation expenditures.

Other State revenue represents about 12% of total revenue and includes lottery, mandated cost block grants and various one-time grants.

In lieu tax transfers are paid by NESD to the district's charter schools as part of their LCFF funding. This payment reduces NESD's property tax portion of LCFF which increases the State Aid. In Lieu is now distributed amongst the five (5) charter schools within the district.

Federal Funding of Education:

Federal funding typically comprises a small percent of the District's revenues. For the 2021-22 fiscal year, Federal funding represented about 4% of the District's revenue.

Local Funding:

Local funding represented about 14% of the General Fund total revenue for 2021-22. This revenue was received in part from:

1. Interest received on our cash balances and investments held by the Placer County Treasurer's Office
2. Donations
3. Oversight fees for Charter Schools
4. Back Office fees and Special Education Billbacks from Charter Schools

General Fund Expenses

Expenses are reported based on the approved State Accounting Code Structure, or SACS as it is referred to. SACS breaks expenses down in the following categories:

- Certificated Salaries
- Classified Salaries
- Employee Benefits
- Books and Supplies
- Services, Other Operating Expenses
- Capital Outlay
- Other Outgo
- Transfers Out

Expenses are paid with both restricted and unrestricted monies, based on their qualifications. Restricted funding is used first for all specific program expenses. If Board approved program expenses exceed the restricted monies available, then the General Fund must make a “contribution to restricted program” using the unrestricted funding portion of the ending fund balance. For the 2021-22 fiscal year, the District contributed to restricted programs in the amount of \$512,133 to cover the cost of maintenance salaries and special education program costs.

At times, the district’s special education students need to be in programs, other than the traditional classroom, which are designed to meet the needs of the student. In 2021-22 NESD had one student placement in a non-public school program.

Transportation funding was also rolled into LCFF calculation to continue to transport our students and control expenses. NESD did not have bus service due to the unavailability of a bus and shortage of drivers.

Certificated & Classified Salaries and Benefits Newcastle Elementary and Charter School:

The District spent a total of \$5,336,870 salaries/benefits, which is 75% of the overall 2021-22 expenses for the combined programs. This percent is considered moderately typical for industry standards. Approximately 25% of this total was for expenses relating to restricted programs, with the balance being paid with unrestricted revenues. This includes step and column increases and an additional 5% increase for certificated, classified confidential and management staff. The Health and Welfare caps remained \$9,500 annually, prorated on full time equivalency(FTE), for all staff. The benefit CAP represents premiums paid by the District for medical, dental & vision insurance on behalf of the employee.

Books and Supplies Newcastle Elementary and Charter School:

A total of \$257,861 was spent in this area for 2021-22 and represents approximately 4% of the overall expenses. Instructional Material funding was also rolled in to the LCFF calculations resulting in no specific funding tagged for textbooks, although the District must still report our sufficiency of instructional materials on an annual basis. In response to GASB 34, the District has a board resolution that purchases of inventory items with a value less than \$5,000 will now be reported in this category. These inventory items are not included in the list of depreciated position. Funds are reserved in the ending fund balance for future textbook adoption.

Services and Other Operating Expenses Newcastle Elementary and Charter School:

This category reflects expenses for services the school contracts for (ie: busing, assemblies, computer repair, etc.) as well as day-to-day operational expenses such as telephone, utilities, water, garbage, and postage to name a few. The total of \$825,595 represents 11% of the 2021-22 actual expenses.

Capital Outlay Newcastle Elementary and Charter School:

Purchases reflected here will be added to fixed assets that are part of the GASB 34 requirement and will be depreciated accordingly on an annual basis.

New additions to the fixed asset depreciation schedule for 2021-22 were for the installation of playground equipment that was installed at the lower campus at 645 Kentucky Greens. The Newcastle PTC paid for the equipment and NESD paid for the installation of the new play structure, curbing and bark with the funds from the Special Reserve for Capital Outlay.

Other Outgo:

Expenses typically found in this category are for our Special Education bill-backs from PCOE and payments on long term debt. The total of \$414,738 represents 6% of the 2021-22 actual expenses.

The amount for Special Ed bill-back fluctuates annually based on the following criteria:

1. State and Federal funding designated for Special Ed programs
2. Current year ADA for special ed students attending county run programs
3. Total expenses for county programs and programs located at other districts

General and Charter School Fund Reserves

The General and Charter School Fund reserves are the available funds at year-end – as reflected on paper but may not be representative of available cash on hand. Some of the reserves may be available for restricted purposes only – as in carryover funds for any remaining state/federal categorical programs. Due to a practice of budgeting conservatively and continually monitoring the status of revenues vs. expenses, the District was able to meet all its financial commitments at year-end, including the State required 5% reserve, and the District Board required additional 10% reserve, for economic uncertainties.

Table 6 below represents a comparison between budget and actuals for the fiscal year ending June 30, 2021.

Table 6 – Budget vs Actuals for the 2021-22 fiscal year - Fund 01 – General Fund Including other financing sources (transfers in/out)

	<u>2021-22</u>		<u>Actuals</u>		<u>Actuals</u>
	Original Budget Adopted	Final	Actuals	Fiscal Year 20/21	Fiscal Year 19/20
Revenues					
Total LCFF sources	1,767,174	1,767,174	2,018,565	1,701,435	2,628,535
Federal sources	113,664	113,664	204,744	344,801	133,957
Other State sources	230,543	230,543	450,392	403,665	298,854
Other local sources	697,069	697,069	829,740	815,382	930,801
Total Revenues	2,808,450	2,808,450	3,503,441	3,265,283	3,992,147
Expenditures					
Certificated salaries	1,512,854	1,512,854	1,534,300	1,465,628	1,528,730
Classified salaries	740,480	740,480	842,203	814,925	799,476
Employee benefits	911,741	911,741	951,565	859,792	910,196
Books and supplies	239,335	239,335	186,036	184,915	159,212
Contracted services and operating expenditures	249,970	249,970	162,051	233,345	155,435
Capital Outlay	0	0	93,864	0	81,788
Other outgo	136,147	136,147	233,592	232,763	173,150
Debt Service					
Principal Retirement			83,083		
Interest			55,848		
Total Expenditures	3,790,527	3,790,527	4,142,542	3,791,368	3,807,987
(Deficiency) excess of revenues (under) over expenditures	(982,077)	(982,077)	(639,101)	(526,085)	184,160
Other Financing Sources	(4,450)	(4,450)	28,490	(4,450)	5,624
Net Incr/Decr in Fund Bal	(986,527)	(986,527)	(610,611)	(530,535)	189,784

Factors bearing on the District's Future:

In conclusion, 2021-22 was the ninth year of the Local Control Funding Formula (LCFF) funding model that is designed to give schools local control of their spending. State categorical programs as we have known them for the past 40 years have been rolled into the new LCFF calculation in order to spend funds in conjunction with the Local Control Accountability Plan (LCAP). This allows districts to direct spending to their individual needs to close the achievement gap. Administrators must project areas of growth within the student population and subgroups and determine the plan and funding allocations within the budget to achieve the desired results. The 2021-22 LCAP was the beginning of a new three-year cycle that allowed school districts to update their goals and actions.

However, the 2021-22 school year has seen the introduction of several new categorical programs that are meant to address learning loss due to COVID 19. These include the Federal programs ESSER I, ESSER II, ESSER III which were part of the CARES Act and the American Rescue Act. Additionally, the state released the In Person Learning (IPL) grant, Extended Learning Opportunity (ELO) and the Learning Loss Mitigation (LLM) grant, ELOP, ELOG, and another round of the Educator Effectiveness Grant. All of these programs are one time, restricted to specific purposes and have various reporting requirements. It is unknown at this time if this practice will continue or if it is a short-term solution to addressing challenges that were a result of the COVID 19 pandemic.

As a District, we continue to remain optimistic about our abilities to provide a quality educational experience for our students. The creation of the Newcastle Charter School has provided stability in overall District enrollment and stability in continuing education for the families in our community while meeting the needs of staff in being transparent to those involved in the classroom experience. . We are looking forward to the years ahead and what the Newcastle Elementary School District can provide to the families and community it serves. The District is always mindful of the following circumstances that could significantly affect its financial health in the future:

- ❑ A decline in enrollment for the upcoming year and beyond due to COVID-19
- ❑ Budgeted structural deficits
- ❑ Paying off debt service of the district
- ❑ Increases to employer retirement costs for both STRS & PERS
- ❑ Influx of one-time funds which cannot be used for ongoing expenditures

This financial report is designated to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If there are any questions about this report, or there is a need for additional information, contact the Chief Business Official, Newcastle Elementary School District, 645 Kentucky Greens., Newcastle, CA 95658 – 916.824.1664

BASIC FINANCIAL STATEMENTS

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 5,086,358
Receivables	1,389,650
Lease receivables (Note 4)	477,058
Stores inventory	1,644
Prepaid expenses	35,391
Non-depreciable capital assets (Note 5)	788,000
Depreciable capital assets, net of accumulated depreciation and amortization (Note 5)	<u>17,098,160</u>
Total assets	<u>24,876,261</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 8 and 9)	<u>1,272,417</u>
LIABILITIES	
Accounts payable	1,521,158
Unearned revenue	182,975
Long-term liabilities (Note 6):	
Due within one year	180,684
Due after one year	<u>6,882,505</u>
Total liabilities	<u>8,767,322</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	3,520,000
Deferred inflows of resources - leases (Note 4)	<u>477,058</u>
Total deferred inflows of resources	<u>3,997,058</u>
NET POSITION	
Net investment in capital assets	14,250,560
Restricted:	
Legally restricted programs	766,571
Capital projects	1,544,518
Unrestricted	<u>(3,177,351)</u>
Total net position	<u>\$ 13,384,298</u>

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction	\$ 3,874,512	\$ 161,327	\$ 602,931	\$ 1,045,432		\$ (2,064,822)
Instruction-related services:						
Instructional library, media and technol	14,541	8,352	4,869	-		(1,320)
School site administration	435,049	60,622	96,070	-		(278,357)
Pupil services:						
Home-to-school transportation	7,269	28	19	-		(7,222)
Food services	216,681	4,721	365,838	-		153,878
All other pupil services	320,604	3,175	111,215	-		(206,214)
General administration:						
Centralized data processing	122,250	-	-	-		(122,250)
All other general administration	957,500	338	61,998	-		(895,164)
Plant services	836,013	17,172	14,813	-		(804,028)
Ancillary services	19,905	7,523	104	-		(12,278)
Interest on long-term liabilities	109,586	-	-	-		(109,586)
Other outgo	233,592	77,321	52,405	-		(103,866)
Total governmental activities	\$ 7,147,502	\$ 340,579	\$ 1,310,262	\$ 1,045,432		(4,451,229)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes						1,672,963
Federal and state aid not restricted to specific purposes						2,624,824
Interest and investment earnings						9,771
Interagency revenues						208,450
Miscellaneous						57,076
Total general revenues						4,573,084
Change in net position						121,855
Net position, July 1, 2021						12,805,418
Cumulative effect of GASB 87 implementation						457,025
Net Position, July 1, 2021, as restated						13,262,443
Net position, June 30, 2022						\$ 13,384,298

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>County Schools Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 2,604,027	\$ 617,408	\$ 1,018,785	\$ 810,143	\$ 5,050,363
Cash in banks	220	-	-	35,075	35,295
Cash in revolving fund	700	-	-	-	700
Receivables	833,922	436,912	153	118,663	1,389,650
Lease receivables	477,058				477,058
Due from other funds	81,567	-	-	-	81,567
Stores inventory	-	-	-	1,644	1,644
Prepaid expenditures	27,273	5,783	-	2,335	35,391
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,024,767</u>	<u>\$ 1,060,103</u>	<u>\$ 1,018,938</u>	<u>\$ 967,860</u>	<u>\$ 7,071,668</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 698,629	\$ 793,611	\$ -	\$ 25,631	\$ 1,517,871
Due to other funds	-	80,826	-	741	81,567
Unearned revenue	155,096	27,879	-	-	182,975
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>853,725</u>	<u>902,316</u>	<u>-</u>	<u>26,372</u>	<u>1,782,413</u>
Deferred inflows of resources:					
Leases	477,058	-	-	-	477,058
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:					
Nonspendable	27,973	5,783	-	3,979	37,735
Restricted	192,876	152,004	1,018,938	937,509	2,301,327
Committed	794,802	-	-	-	794,802
Assigned	1,340,011	-	-	-	1,340,011
Unassigned	338,322	-	-	-	338,322
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,693,984</u>	<u>157,787</u>	<u>1,018,938</u>	<u>941,488</u>	<u>4,812,197</u>
Total liabilities, deferred inflows of resources, and fund I					
	<u>\$ 4,024,767</u>	<u>\$ 1,060,103</u>	<u>\$ 1,018,938</u>	<u>\$ 967,860</u>	<u>\$ 7,071,668</u>

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances - Governmental Funds \$ 4,812,197

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in funds. The cost of the assets is \$21,617,339 and the accumulated depreciation and amortization is \$3,731,179 (Note 5). 17,886,160

Unmatured interest is not recognized until it is paid in the governmental funds. In the government-wide financial statements this amount is accrued as a liability. (3,287)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2022 consisted of (Note 6):

Lease liabilities	\$	(979,040)	
Note payable		(2,656,560)	
Net pension liability (Notes 8 and 9)		(3,382,000)	
Other postemployment benefits (Note 10)		(38,000)	
Compensated absences		(7,589)	
			(7,063,189)

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 (Notes 8 and 9):

Deferred outflows of resources relating to pensions	\$	1,272,417	
Deferred inflows of resources relating to pensions		(3,520,000)	
			(2,247,583)

Total net position - governmental activities \$ 13,384,298

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>County Schools Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 1,698,637	\$ 1,999,929	\$ -	\$ -	\$ 3,698,566
Local sources	<u>319,928</u>	<u>172,864</u>	-	-	<u>492,792</u>
Total LCFF	<u>2,018,565</u>	<u>2,172,793</u>	-	-	<u>4,191,358</u>
Federal sources	204,744	-	-	343,201	547,945
Other state sources	450,392	315,150	1,045,432	22,617	1,833,591
Other local sources	<u>829,740</u>	<u>1,429</u>	<u>(26,494)</u>	<u>66,320</u>	<u>870,995</u>
Total revenues	<u>3,503,441</u>	<u>2,489,372</u>	<u>1,018,938</u>	<u>432,138</u>	<u>7,443,889</u>
Expenditures:					
Current:					
Certificated salaries	1,534,300	1,124,552	-	-	2,658,852
Classified salaries	842,203	226,896	-	66,686	1,135,785
Employee benefits	951,565	568,036	-	22,632	1,542,233
Books and supplies	186,036	71,825	-	130,971	388,832
Contract services and operating expenditures	162,051	540,298	-	123,246	825,595
Other outgo	233,592	-	-	-	233,592
Capital outlay	93,864	-	-	19,901	113,765
Debt service:					
Principal retirement	83,083	71,125	-	-	154,208
Interest	<u>55,848</u>	<u>54,105</u>	-	-	<u>109,953</u>
Total expenditures	<u>4,142,542</u>	<u>2,656,837</u>	-	<u>363,436</u>	<u>7,162,815</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(639,101)</u>	<u>(167,465)</u>	<u>1,018,938</u>	<u>68,702</u>	<u>281,074</u>
Other financing sources (uses):					
Transfers in	45,550	-	-	50,000	95,550
Transfers out	(50,000)	(45,550)	-	-	(95,550)
Proceeds from the issuance of leases	<u>32,940</u>	-	-	-	<u>32,940</u>
Total other financing sources (uses):	<u>28,490</u>	<u>(45,550)</u>	-	<u>50,000</u>	<u>32,940</u>
Net change in fund balances	(610,611)	(213,015)	1,018,938	118,702	314,014
Fund balances, July 1, 2021	<u>3,304,595</u>	<u>370,802</u>	-	<u>822,786</u>	<u>4,498,183</u>
Fund balances, June 30, 2022	<u>\$ 2,693,984</u>	<u>\$ 157,787</u>	<u>\$ 1,018,938</u>	<u>\$ 941,488</u>	<u>\$ 4,812,197</u>

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - Total Governmental Funds	\$	314,014
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 5).		80,975
Depreciation and amortization of capital assets is an expense that is not recorded in the governmental funds (Note 5).		(1,019,762)
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 (Notes 8 and 9).		572,588
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).		154,208
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		367
In the statement of activities, expenses related to compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).		<u>19,465</u>
Change in net position of governmental activities	\$	<u><u>121,855</u></u>

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public elementary school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board, since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

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

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole.

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

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

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Funds:

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

Charter School Fund – The Charter School Fund is used to account for the proceeds of specific State and Local revenue sources that are legally restricted to expenditures for charter school activities

County Schools Facilities Fund - The County Schools Facilities Fund is used to account for resources used for the acquisition of capital facilities by the District.

Other Funds:

Student Activity Special Revenue Fund: The Student Activity Special Revenue Fund is used to account for the associated student body activities.

Cafeteria Fund - The Cafeteria Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Deferred Maintenance Fund - The Deferred Maintenance Fund is used to account for the proceeds of specific State and Local revenue sources that are legally restricted to expenditures for deferred maintenance activities.

Capital Facilities Fund - The Capital Facilities Fund is a capital facilities fund used to account for resources used for the acquisition of capital facilities by the District.

Special Reserve for Capital Outlay Fund - The Special Reserve for Capital Outlay Fund is a capital facilities fund used to account for resources used for the acquisition of capital facilities by the District.

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

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

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2022.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 10 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources (revenue) related to the recognition of the net pension liability and leases reported which is in the Statement of Net Position.

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

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 897,683	\$ 374,734	\$ 1,272,417
Deferred inflows of resources	\$ 2,922,000	\$ 598,000	\$ 3,520,000
Net pension liability	\$ 1,835,000	\$ 1,547,000	\$ 3,382,000
Pension expense	\$ 103,419	\$ 208,178	\$ 311,597

Compensated Absences: Compensated absences benefits in the amount of \$7,589 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave can be added to the creditable service period for calculation of retirement benefits when the employee retires.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues: Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Grant funds received but not earned are recorded as unearned revenue until earned.

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

Net Position: Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

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

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

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

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

C - Committed Fund Balance - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove a commitment from any fund balance. At June 30, 2022, the District had \$794,802 in committed fund balances for the purpose of paying down long-term obligations relating to Other Post-Employment Benefits (OPEB), payments towards capitalized lease obligations and CalSTRS/CalPERS long-term obligations.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assigned Fund Balance - The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances. As of June 30, 2022, the Board has given the District's Chief Business Official authority to assign funds for specific purposes. However, the Board of Trustees has the authority to remove or change the assignment of the funds with a simple majority vote.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2022, the District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than 10% of General Fund expenditures and other financing uses. If the unassigned fund balance drops or is expected to drop below 10%, necessary expenditure reductions and/or revenue enhancements shall be implemented to ensure that the District's unassigned fund balance is restored to the minimum reserve level of 10% in no more than five years. At June 30, 2022, the District is in compliance with this policy.

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2017, the GASB issued GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires the recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability and an intangible right to use lease asset and the lessor is required to recognize a lease receivable and deferred inflow of resources. This statement was originally effective for fiscal years beginning after December 15, 2019, but due to the adoption of GASB Statement No. 95, the implementation date was extended to reporting periods beginning after June 15, 2021. Based on the implementation of GASB Statement No. 87, the District's July 1, 2021 net position was restated by \$457,025. Also as a result, beginning capital assets, net, and long-term liabilities were restated by \$496,539 and \$39,514, respectively.

NOTE 2 - CASH AND INVESTMENTS

Cash at June 30, 2022 consisted of the following:

	Governmental Funds
Pooled Funds:	
Cash in County Treasury	\$ 5,050,363
Deposits:	
Cash on hand and in banks	35,295
Cash in revolving fund	<u>700</u>
	<u>\$ 5,086,358</u>

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution.

At June 30, 2022, the carrying amount of the District's accounts was \$35,995 and the bank balance was \$36,105, all of which was insured by the FDIC.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2022, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had no concentration of credit risk.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2022 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 81,567	\$ -
Charter School Fund	-	80,826
Non-Major Fund:		
Special Reserve for Capital Outlay Fund	-	741
Totals	<u>\$ 81,567</u>	<u>\$ 81,567</u>

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

Interfund transfers for the 2021-2022 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for maintenance projects.	\$ 50,000
Transfer from the Charter School Fund to the General Fund for the building lease memorandum of understanding (MOU).	<u>45,550</u>
	<u>\$ 95,550</u>

NOTE 4 – LEASES

The District is a lessor for leases of property and buildings. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. For the year ended June 30, 2022 the District recognized inflows of resources from lease revenue totaling \$113,715.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – LEASES (Continued)

Future inflows of resources related to leases receivable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 95,833	\$ 17,882	\$ 113,715
2024	99,666	14,049	113,715
2025	103,653	10,062	113,715
2026	107,799	5,916	113,715
2027	40,107	1,604	41,711
	<u>\$ 447,058</u>	<u>\$ 49,513</u>	<u>\$ 496,571</u>

NOTE 5 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance July 1, 2021	Restatement Due To GASB 87 Implementation	Balance July 1, 2021 As Restated	Additions	Deductions	Balance June 30, 2022
Non-depreciable:						
Land	\$ 788,000	\$ -	\$ 788,000	\$ -	\$ -	\$ 788,000
Depreciable:						
Improvement of sites	1,027,445	(501,020)	526,425	-	-	526,425
Buildings	19,793,327	(1,396,738)	18,396,589	-	-	18,396,589
Equipment	764,662	-	764,662	80,975	-	845,637
Totals, at cost	<u>22,373,434</u>	<u>(1,897,758)</u>	<u>20,475,676</u>	<u>80,975</u>	<u>-</u>	<u>20,556,651</u>
Less accumulated depreciation:						
Improvement of sites	(534,494)	308,387	(226,107)	(51,018)	-	(277,125)
Buildings	(3,330,354)	1,058,162	(2,272,192)	(834,049)	-	(3,106,241)
Equipment	(213,118)	-	(213,118)	(53,011)	-	(266,129)
Total accumulated depreciation	<u>(4,077,966)</u>	<u>1,366,549</u>	<u>(2,711,417)</u>	<u>(938,078)</u>	<u>-</u>	<u>(3,649,495)</u>
Lease assets:						
Equipment	-	1,027,748	1,027,748	32,940	-	1,060,688
Accumulated lease amortization for leased assets	-	-	-	(81,684)	-	(81,684)
Total lease assets, net	<u>-</u>	<u>1,027,748</u>	<u>1,027,748</u>	<u>(48,744)</u>	<u>-</u>	<u>979,004</u>
Capital assets, net	<u>\$ 18,295,468</u>	<u>\$ 496,539</u>	<u>\$ 18,792,007</u>	<u>\$ (905,847)</u>	<u>\$ -</u>	<u>\$ 17,886,160</u>

Depreciation and amortization expense was charged to governmental activities as follows:

Instruction	<u>\$ 1,019,762</u>
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(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - LONG-TERM LIABILITIES

Lease Liabilities: The District leases certain property and equipment under a lease agreements. The District's leases mature through 2037. Future minimum lease payments are as follows:

Year Ending June 30,	<u>Payments</u>
2023	\$ 120,511
2024	122,671
2025	123,199
2026	116,945
2027	115,532
2028-2032	479,587
2033-2037	<u>79,915</u>
	1,158,360
Less amount representing interest	<u>(179,320)</u>
Total	<u><u>\$ 979,040</u></u>

Note Payable: In June 2017, the District issued a Note Payable of \$3,000,000 through the Placer County Treasury for the acquisition of land in Placer County. The Note Payable has an interest rate of 1.4% and is scheduled to mature in 2048. Default for non-payment would require the payment of outstanding principal, interest and any associated legal fees with recovery.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 74,606	\$ 73,865	\$ 148,471
2024	76,710	71,761	148,471
2025	78,872	69,599	148,471
2026	81,096	67,375	148,471
2027	83,383	65,088	148,471
2028-2032	453,535	288,820	742,355
2033-2037	528,997	221,172	750,169
2038-2042	600,087	142,268	742,355
2043-2047	616,241	51,878	668,119
2048	<u>63,033</u>	<u>882</u>	<u>63,915</u>
	<u><u>\$ 2,656,560</u></u>	<u><u>\$ 1,052,708</u></u>	<u><u>\$ 3,709,268</u></u>

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance July 1, <u>2021</u>	Restatement Due to GASB 87 Implementation	Balance July 1, 2021 <u>As Restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2022</u>	Amounts Due Within <u>One Year</u>
<u>Debt:</u>							
Lease liabilities	\$ 988,234	\$ 39,514	\$ 1,027,748	\$ 32,940	\$ 81,648	\$ 979,040	\$ 88,989
Note payable (direct placement)	2,729,120	-	2,729,120	-	72,560	2,656,560	74,606
<u>Other long-term liabilities:</u>							
Net pension liability (Notes 7 & 8)	6,528,000	-	6,528,000	-	3,146,000	3,382,000	-
Other postemployment benefits (Note 9)	52,250	-	52,250	-	14,250	38,000	9,500
Compensated absences	12,804	-	12,804	-	5,215	7,589	7,589
	<u>\$ 10,310,408</u>	<u>\$ 39,514</u>	<u>\$ 10,349,922</u>	<u>\$ 32,940</u>	<u>\$ 3,319,673</u>	<u>\$ 7,063,189</u>	<u>\$ 180,684</u>

Payments on the note payable and lease obligations are made from the General Fund and Charter School Fund. Payments on the net pension liability, other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2022 consisted of the following:

	General Fund	Charter Schools Fund	County School Facilities Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 700	\$ -	\$ -	\$ -	\$ 700
Stores inventory	-	-	-	1,644	1,644
Prepaid expenditures	27,273	5,783	-	2,335	35,391
Subtotal nonspendable	<u>27,973</u>	<u>5,783</u>	<u>-</u>	<u>3,979</u>	<u>37,735</u>
Restricted:					
Legally restricted programs:					
Grants	192,876	-	-	-	192,876
Charter School	-	152,004	-	-	152,004
Student body activities	-	-	-	35,075	35,075
Cafeteria	-	-	-	162,515	162,515
Deferred maintenance	-	-	-	214,339	214,339
Capital projects	-	-	1,018,938	525,580	1,544,518
Subtotal restricted	<u>192,876</u>	<u>152,004</u>	<u>1,018,938</u>	<u>937,509</u>	<u>2,301,327</u>
Committed:					
Anticipated Litigation	413,370	-	-	-	413,370
Textbooks	184,340	-	-	-	184,340
OPEB	197,092	-	-	-	197,092
Subtotal committed	<u>794,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>794,802</u>
Assigned:					
Reserve toward future deficits	176,118	-	-	-	176,118
Additional 10% REU for NES & NCS	676,644	-	-	-	676,644
PTC Donation	3,962	-	-	-	3,962
Classroom Tech Reserve	300,000	-	-	-	300,000
Textbook Reserve	25,000	-	-	-	25,000
Field Trips	21,983	-	-	-	21,983
Music donations	8,196	-	-	-	8,196
Enrichment	11,586	-	-	-	11,586
Library Fund	5,887	-	-	-	5,887
Chromebook Insurance	4,550	-	-	-	4,550
Reserve for teacher salaries	106,050	-	-	-	106,050
Wellness	35	-	-	-	35
Subtotal assigned	<u>1,340,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,340,011</u>
Unassigned:					
Designated for economic uncertainty	338,322	-	-	-	338,322
Total fund balances	<u>\$ 2,693,984</u>	<u>\$ 157,787</u>	<u>\$ 1,018,938</u>	<u>\$ 941,488</u>	<u>\$ 4,812,197</u>

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

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

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

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation"), were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-2022. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-2022.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2020, valuation adopted by the board in June 2021, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2021.

Employers – 16.920 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.18 percent to be paid on behalf of employers pursuant to SB 90 and AB 84.

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB) 1469, required that employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation gave the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2022 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021–22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rates effective for fiscal year 2021-2022 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2022	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$441,683 to the plan for the fiscal year ended June 30, 2022.

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021–22, which will increase the state supplemental contribution rate to 6.311% effective July 1, 2021.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2020–21, CalSTRS received \$297.0 million in supplemental state contributions from Proposition 2 funds. Of this total, approximately \$170.0 million is designated to cover forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21. The remaining \$127.0 million is designated to reduce the state's share of CalSTRS' unfunded actuarial obligation.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2021-2022 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954. .
- (2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 1,835,000
State's proportionate share of the net pension liability associated with the District	<u>1,092,000</u>
Total	<u>\$ 2,927,000</u>

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2021, the District's proportion was 0.004 percent, which was no change from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$103,419 and revenue of \$306,768 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,000	\$ 195,000
Changes of assumptions	260,000	-
Net differences between projected and actual earnings on investments	-	1,452,000
Changes in proportion and differences between District contributions and proportionate share of contributions	191,000	1,275,000
Contributions made subsequent to measurement date	<u>441,683</u>	<u>-</u>
Total	<u>\$ 897,683</u>	<u>\$ 2,922,000</u>

\$441,683 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>		
2023	\$	(542,933)
2024	\$	(546,933)
2025	\$	(746,934)
2026	\$	(506,600)
2027	\$	(62,600)
2028	\$	(60,000)

Differences between expected and actual experience and changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)
* 20-year geometric average		

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 3,736,000	\$ 1,835,000	\$ 258,000

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

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

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

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

<https://www.calpers.ca.gov/docs/forms-publications/acfr-2021.pdf>

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2022 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-2022.

Employers - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed \$242,734 to the plan for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District reported a liability of \$1,547,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2021 the District’s proportion was 0.008 percent, which was unchanged from its proportion measured as of June 30, 2020.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$208,178. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 46,000	\$ 4,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	593,000
Changes in proportion and differences between District contributions and proportionate share of contributions	86,000	1,000
Contributions made subsequent to measurement date	<u>242,734</u>	<u>-</u>
Total	<u>\$ 374,734</u>	<u>\$ 598,000</u>

\$242,734 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (73,667)
2024	\$ (89,667)
2025	\$ (137,666)
2026	\$ (165,000)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

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

* 10-year geometric average
(1) An expected inflation rate of 2.00% used for this period
(2) An expected inflation rate of 2.92% used for this period

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	\$ 2,609,000	\$ 1,547,000	\$ 666,000

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 8 and 9, the District provides other postemployment benefits to certificated employees who were hired prior to 1995 and who retire from the District under STRS after age 55, with at least 20 consecutive years of service to the District. Additionally, there is one non-certificated employee hired prior to 1995 that is eligible to receive other postemployment benefits if the employee retires from the District under PERS after age 55, with at least 20 consecutive years of service to the District. This is a simple employer defined benefit OPEB plan. The plan does not issue separate financial statements. The District pays the insurance premiums, not to exceed the cap, to maintain the level of coverage enjoyed by the retiree immediately preceding retirement, for a period of five years. For an additional two years, the District pays 50% of the insurance premiums, not to exceed 50% of the cap, for these benefits. As of June 30, 2022, 2 retirees met this eligibility requirement.

During the year, expenditures of \$14,250 were recognized for retiree health care benefits. The accumulated future liability for the District at June 30, 2022 amounts to \$38,000. The District only has one retiree who currently participates in the plan and two employees who have the potential to participate in the plan. As the entire projected liability has been accrued for these capped benefits, no actuarial assumptions have been used.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 - JOINT POWERS AGREEMENT

Schools Insurance Group: The District is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property/liability, and health and welfare insurance. The membership includes the school districts in Placer and Nevada counties and their respective County Offices. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SIG, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information for SIG at June 30, 2021 (most recently available):

Total assets	\$	115,062,160
Total deferred outflows	\$	274,347
Total liabilities	\$	37,079,788
Total deferred inflows	\$	77,117
Net position	\$	78,179,602
Total revenues	\$	96,442,660
Total expenses	\$	88,802,310
Change in net position	\$	7,640,350

The relationship between Newcastle Elementary School District and SIG is such that SIG is not a component unit of the District for financial reporting purposes.

NOTE 12 - CONTINGENCIES

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

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 1,596,220	\$ 1,596,220	\$ 1,698,637	\$ 102,417
Local sources	170,954	170,954	319,928	148,974
Total LCFF	1,767,174	1,767,174	2,018,565	251,391
Federal sources	113,664	113,664	204,744	91,080
Other state sources	230,543	230,543	450,392	219,849
Other local sources	697,069	697,069	829,740	132,671
Total revenues	2,808,450	2,808,450	3,503,441	694,991
Expenditures:				
Current:				
Certificated salaries	1,512,854	1,512,854	1,534,300	(21,446)
Classified salaries	740,480	740,480	842,203	(101,723)
Employee benefits	911,741	911,741	951,565	(39,824)
Books and supplies	239,335	239,335	186,036	53,299
Contract services and operating expenditures	249,970	249,970	162,051	87,919
Other outgo	136,147	136,147	233,592	(97,445)
Capital outlay	-	-	93,864	(93,864)
Debt Service:				
Principal retirement	-	-	83,083	(83,083)
Interest	-	-	55,848	(55,848)
Total expenditures	3,790,527	3,790,527	4,142,542	(352,015)
Deficiency of revenues under expenditures	(982,077)	(982,077)	(639,101)	342,976
Other financing (uses) sources:				
Transfers in	45,550	45,550	45,550	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Proceeds from issuance of leases	-	-	32,940	32,940
Total other financing (uses) sources	(4,450)	(4,450)	28,490	32,940
Net change in fund balance	(986,527)	(986,527)	(610,611)	375,916
Fund balance, July 1, 2021	3,304,595	3,304,595	3,304,595	-
Fund balance, June 30, 2022	\$ 2,318,068	\$ 2,318,068	\$ 2,693,984	\$ 375,916

See accompanying note to required supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 CHARTER SCHOOL FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2022

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 2,339,376	\$ 2,339,376	\$ 1,999,929	\$ (339,447)
Local sources	<u>148,002</u>	<u>148,002</u>	<u>172,864</u>	<u>24,862</u>
Total LCFF	<u>2,487,378</u>	<u>2,487,378</u>	<u>2,172,793</u>	<u>(314,585)</u>
Other state sources	165,553	165,553	315,150	149,597
Other local sources	<u>1,500</u>	<u>1,500</u>	<u>1,429</u>	<u>(71)</u>
Total revenues	<u>2,654,431</u>	<u>2,654,431</u>	<u>2,489,372</u>	<u>(165,059)</u>
Expenditures:				
Current:				
Certificated salaries	1,126,929	1,126,929	1,124,552	2,377
Classified salaries	246,766	246,766	226,896	19,870
Employee benefits	557,516	557,516	568,036	(10,520)
Books and supplies	76,727	76,727	71,825	4,902
Contract services and operating expenditures	653,473	653,473	540,298	113,175
Other outgo	118,862	118,862	-	118,862
Debt Service:				
Principal retirement	-	-	71,125	(71,125)
Interest	<u>-</u>	<u>-</u>	<u>54,105</u>	<u>(54,105)</u>
Total expenditures	<u>2,780,273</u>	<u>2,780,273</u>	<u>2,656,837</u>	<u>123,436</u>
Deficiency of revenues under expenditures	<u>(125,842)</u>	<u>(125,842)</u>	<u>(167,465)</u>	<u>(41,623)</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(45,550)</u>	<u>(45,550)</u>
Net change in fund balance	(125,842)	(125,842)	(213,015)	(87,173)
Fund balance, July 1, 2021	<u>370,802</u>	<u>370,802</u>	<u>370,802</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 244,960</u>	<u>\$ 244,960</u>	<u>\$ 157,787</u>	<u>\$ (87,173)</u>

See accompanying note to required supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2022

	State Teachers' Retirement Plan Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.006%	0.006%	0.007%	0.007%	0.005%	0.004%	0.004%	0.004%
District's proportionate share of the net pension liability	\$ 3,291,000	\$ 4,183,000	\$ 5,446,000	\$ 6,727,000	\$ 4,278,000	\$ 3,955,000	\$ 4,219,000	\$ 1,835,000
State's proportionate share of the net pension liability associated with the District	<u>1,987,000</u>	<u>2,212,000</u>	<u>3,100,000</u>	<u>3,980,000</u>	<u>2,449,000</u>	<u>2,158,000</u>	<u>2,306,000</u>	<u>1,092,000</u>
Total net pension liability	<u>\$ 5,278,000</u>	<u>\$ 6,395,000</u>	<u>\$ 8,546,000</u>	<u>\$ 10,707,000</u>	<u>\$ 6,727,000</u>	<u>\$ 6,113,000</u>	<u>\$ 6,525,000</u>	<u>\$ 2,927,000</u>
District's covered payroll	\$ 2,508,000	\$ 2,884,000	\$ 3,356,000	\$ 3,855,000	\$ 2,484,000	\$ 2,323,000	\$ 2,504,000	\$ 2,155,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.28%	174.50%	172.22%	170.25%	168.49%	85.15%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

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

All years prior to 2015 are not available.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2022

	Public Employer's Retirement Fund B Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.005%	0.005%	0.005%	0.007%	0.007%	0.007%	0.008%	0.008%
District's proportionate share of the net pension liability	\$ 543,000	\$ 730,000	\$ 982,000	\$ 1,628,000	\$ 1,872,000	\$ 2,040,000	\$ 2,309,000	\$ 1,547,000
District's covered payroll	\$ 502,000	\$ 548,000	\$ 597,000	\$ 870,000	\$ 926,000	\$ 970,000	\$ 1,083,000	\$ 1,093,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.17%	132.21%	164.49%	187.13%	202.25%	210.31%	213.20%	141.54%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2022

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 256,068	\$ 360,047	\$ 522,944	\$ 358,496	\$ 378,199	\$ 428,188	\$ 411,651	\$ 441,683
Contributions in relation to the contractually required contribution	<u>(256,068)</u>	<u>(360,047)</u>	<u>(522,944)</u>	<u>(358,496)</u>	<u>(378,199)</u>	<u>(428,188)</u>	<u>(411,651)</u>	<u>(441,683)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	\$ 2,884,000	\$ 3,356,000	\$ 3,855,000	\$ 2,484,000	\$ 2,323,000	\$ 2,504,000	\$ 2,155,000	\$ 2,312,000
Contributions as a percentage of covered payroll	8.88%	10.73%	13.57%	14.43%	16.28%	17.1% *	16.15%**	16.92% ***

All years prior to 2015 are not available.

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

**This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

***This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2022

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 64,510	\$ 70,668	\$ 120,548	\$ 143,753	\$ 175,287	\$ 213,600	\$ 226,178	\$ 242,734
Contributions in relation to the contractually required contribution	<u>(64,510)</u>	<u>(70,668)</u>	<u>(120,548)</u>	<u>(143,753)</u>	<u>(175,287)</u>	<u>(213,600)</u>	<u>(226,178)</u>	<u>(242,734)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 548,000	\$ 597,000	\$ 870,000	\$ 926,000	\$ 970,000	\$ 1,083,000	\$ 1,093,000	\$ 1,060,000
Contributions as a percentage of covered payroll	11.77%	11.84%	13.86%	15.52%	18.07%	19.72%	20.69%	22.90%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Charter School Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

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

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

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively.

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

<u>Assumptions</u>	<u>Measurement Period</u>						
	As of June 30, <u>2021</u>	As of June 30, <u>2020</u>	As of June 30 <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2022

	Student Activity Special Revenue Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	<u>Total</u>
ASSETS						
Cash and investments						
Cash in County Treasury	\$ -	\$ 44,428	\$ 228,800	\$ 100,928	\$ 435,987	\$ 810,143
Cash in banks	35,075	-	-	-	-	35,075
Receivables	-	118,352	80	40	191	118,663
Stores inventory	-	1,644	-	-	-	1,644
Prepaid expenditures	-	2,335	-	-	-	2,335
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 35,075</u>	<u>\$ 166,759</u>	<u>\$ 228,880</u>	<u>\$ 100,968</u>	<u>\$ 436,178</u>	<u>\$ 967,860</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 265	\$ 14,541	\$ 10,825	\$ -	\$ 25,631
Due to other funds	-	-	-	-	741	741
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>265</u>	<u>14,541</u>	<u>10,825</u>	<u>741</u>	<u>26,372</u>
Fund balances:						
Nonspendable	-	3,979	-	-	-	3,979
Restricted	35,075	162,515	214,339	90,143	435,437	937,509
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>35,075</u>	<u>166,494</u>	<u>214,339</u>	<u>90,143</u>	<u>435,437</u>	<u>941,488</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 35,075</u>	<u>\$ 166,759</u>	<u>\$ 228,880</u>	<u>\$ 100,968</u>	<u>\$ 436,178</u>	<u>\$ 967,860</u>

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2022

	Student Activity Special Revenue Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total
Revenues:						
Federal sources	\$ -	\$ 343,201	\$ -	\$ -	\$ -	\$ 343,201
Other state sources	-	22,617	-	-	-	22,617
Other local sources	<u>7,526</u>	<u>4,740</u>	<u>581</u>	<u>52,214</u>	<u>1,259</u>	<u>66,320</u>
Total revenues	<u>7,526</u>	<u>370,558</u>	<u>581</u>	<u>52,214</u>	<u>1,259</u>	<u>432,138</u>
Expenditures:						
Current:						
Classified salaries	-	66,686	-	-	-	66,686
Employee benefits	-	22,632	-	-	-	22,632
Books and supplies	1,991	124,579	4,401	-	-	130,971
Contract services and operating expenditures	5,865	4,605	83,686	28,590	500	123,246
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,901</u>	<u>19,901</u>
Total expenditures	<u>7,856</u>	<u>218,502</u>	<u>88,087</u>	<u>28,590</u>	<u>20,401</u>	<u>363,436</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(330)</u>	<u>152,056</u>	<u>(87,506)</u>	<u>23,624</u>	<u>(19,142)</u>	<u>68,702</u>
Other financing sources:						
Transfers in	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	<u>(330)</u>	<u>152,056</u>	<u>(37,506)</u>	<u>23,624</u>	<u>(19,142)</u>	<u>118,702</u>
Fund balances, July 1, 2021	<u>35,405</u>	<u>14,438</u>	<u>251,845</u>	<u>66,519</u>	<u>454,579</u>	<u>822,786</u>
Fund balances, June 30, 2022	<u>\$ 35,075</u>	<u>\$ 166,494</u>	<u>\$ 214,339</u>	<u>\$ 90,143</u>	<u>\$ 435,437</u>	<u>\$ 941,488</u>

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
June 30, 2022

Newcastle Elementary School District was established in 1874 and is comprised of an area of approximately twelve square miles located in Placer County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, 1 dependent charter school and 4 independent charter schools serving grades TK-8th. There were no changes to the District's boundaries in the current year.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sarah Gillmore	President	December 2022
Dr. Alex Rensing	Clerk	December 2022
Wendy Sokalskiy	Trustee	December 2024
Sam Moore	Trustee	December 2022
Laura Newby	Trustee	December 2024

ADMINISTRATION

Denny Rush
Superintendent

Raenel Toste
Chief Business Official

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF DAILY AVERAGE ATTENDANCE
 June 30, 2022

	<u>Second Period Report</u>	<u>Annual Report</u>
District		
Certificate Number	8C5F08B2	482C0DC
Elementary:		
Transitional Kindergarten through Third	74	73
Fourth through Sixth	39	39
Seventh and Eighth	37	38
Totals	150	150
Newcastle Charter School		
Certificate Number	44A7A080	C7C08AB8
<u>Classroom Based</u>		
Elementary:		
Transitional Kindergarten through Third	109	110
Fourth through Sixth	78	80
Seventh and Eighth	53	54
Totals	240	244
<u>Nonclassroom-Based</u>		
Elementary:		
Transitional Kindergarten through Third	1	1

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2022

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
District:				
Kindergarten	36,000	47,780	180	In Compliance
Grade 1	50,400	55,720	180	In Compliance
Grade 2	50,400	55,720	180	In Compliance
Grade 3	50,400	55,720	180	In Compliance
Grade 4	54,000	56,620	180	In Compliance
Grade 5	54,000	56,620	180	In Compliance
Grade 6	54,000	56,620	180	In Compliance
Grade 7	54,000	56,620	180	In Compliance
Grade 8	54,000	56,620	180	In Compliance
Newcastle Charter School - Classroom-Based:				
Kindergarten	36,000	47,780	180	In Compliance
Grade 1	50,400	55,720	180	In Compliance
Grade 2	50,400	55,720	180	In Compliance
Grade 3	50,400	55,720	180	In Compliance
Grade 4	54,000	56,620	180	In Compliance
Grade 5	54,000	56,620	180	In Compliance
Grade 6	54,000	56,620	180	In Compliance
Grade 7	54,000	56,620	180	In Compliance
Grade 8	54,000	56,620	180	In Compliance

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

	County School Facilities <u>Fund</u>
June 30, 2022 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 1,045,585
GASB 31 Fair Market Value adjustment to Cash in County Treasury	<u>(26,647)</u>
June 30, 2022 Audited Financial Statements Ending Fund Balance	<u>\$ 1,018,938</u>

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

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2022
 (UNAUDITED)

	(Budget) <u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 3,270,409	\$ 3,581,931	\$ 3,310,833	\$ 4,049,697
Expenditures	3,933,335	4,142,542	3,791,368	3,807,987
Other uses and transfers out	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>51,926</u>
Total outgo	<u>3,983,335</u>	<u>4,192,542</u>	<u>3,841,368</u>	<u>3,859,913</u>
Change in fund balance	<u>\$ (712,926)</u>	<u>\$ (610,611)</u>	<u>\$ (530,535)</u>	<u>\$ 189,784</u>
Ending fund balance	<u>\$ 1,981,058</u>	<u>\$ 2,693,984</u>	<u>\$ 3,304,595</u>	<u>\$ 3,835,130</u>
Available reserves	<u>\$ 352,456</u>	<u>\$ 338,322</u>	<u>\$ 96,244</u>	<u>\$ 317,541</u>
Designated for economic uncertainties	<u>\$ 352,456</u>	<u>\$ 338,322</u>	<u>\$ 96,244</u>	<u>\$ 317,541</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as a percentages of total outgo	<u>8.85%</u>	<u>8.07%</u>	<u>2.51%</u>	<u>8.23%</u>
Total long-term liabilities	<u>\$ 6,882,505</u>	<u>\$ 7,063,189</u>	<u>\$ 10,310,408</u>	<u>\$ 9,925,231</u>
Average daily attendance at P-2, including charter school	<u>453</u>	<u>391</u>	<u>452</u>	<u>452</u>

The General Fund fund balance has decreased by \$951,362 over the past three fiscal years. The District projects a decrease of \$712,926 for the fiscal year ending June 30, 2023. For a district this size, the State of California recommends available reserves of the greater of \$50,000 or 4% of total expenditures and other uses be maintained. For the year ended June 30, 2022, the District has met this requirement.

The District incurred an operating deficit in two of the past three years and anticipates incurring an operating deficit during the 2022-23 fiscal year.

Total long-term liabilities have decreased by \$2,862,042 over the past two years.

Average daily attendance has decreased 61 ADA over the past two years. An increase of 62 ADA is budgeted for fiscal year 2022-23.

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2022

Charter Schools Chartered by Office of Education

0727 – Newcastle Charter School
1179 - Harvest Ridge Cooperative Charter
1528 - Rocklin Academy-Gateway
1102 - Creekside Charter School

Included in Office of Education
Financial Statements, or
Separate Report

Included in District Financial Statements
Separate Report
Separate Report
Separate Report

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

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

Schedule of Instructional Time: 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 Sections 46201 through 46206.

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

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2022-23 fiscal year, as required by the State Controller's Office.

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2022, the District did not adopt this program.

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

Board of Trustees
Newcastle Elementary School District
Newcastle, California

Report on Compliance with State Laws and Regulations

Opinion on Compliance with State Laws and Regulations

We have audited Newcastle Elementary School District's compliance with the types of compliance requirements described in the State of California's *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2022.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle and Early College High School	No, see below
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below

(Continued)

In Person Instruction Grant	Yes
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes-Classroom Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

The District's ADA generated from Independent Study was not material, therefore, we did not perform any procedures related to Independent Study.

The District does not offer Continuation Education; therefore, we did not perform any procedures related to Continuation Education.

The District does not offer an Early Retirement Incentive Program; therefore, we noted there was no ERIP in the current year.

The District does not offer a Juvenile Court School Program, therefore, we did not perform any testing of this program.

The District does not offer a Middle or Early College High Schools Program, therefore, we did not perform any testing of this program.

The District does not have an Apprenticeship: Related and Supplemental Instruction program, therefore, we did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction.

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

The District completed projects and expended this fund for the California Clean Energy Jobs Act; therefore, we did not perform any procedures related to California Clean Energy Jobs Act.

The District did not operate an After/Before School Education and Safety Program, therefore, we did not perform any testing of this program.

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

The District did not receive Career Technical Education Incentive Grant or Charter School Facility Grant Program funding in the current year; therefore, we did not perform any procedures related to Career Technical Education Incentive Grant or Charter School Facility Grant Programs.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Newcastle Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2022.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the 2021-2022 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

As described in Finding 2022-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Newcastle Elementary School District did not comply with the requirements regarding Transportation Maintenance of Effort. Compliance with such requirements is necessary, in our opinion, for Newcastle Elementary School District to comply with the requirements applicable to the state laws and regulations referred to above.

Other Matter

Newcastle Elementary School District's response to the noncompliance finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Newcastle Elementary School District's response was not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on it.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide, we:

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

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

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 9, 2022

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

Board of Trustees
Newcastle Elementary School District
Newcastle, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newcastle Elementary School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Newcastle Elementary School District's basic financial statements, and have issued our report thereon dated December 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newcastle Elementary School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newcastle Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newcastle Elementary School District's internal control.

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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


Crowe LLP

Sacramento, California
December 9, 2022

FINDINGS AND RECOMMENDATIONS

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X	_____ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X	_____ None reported

Noncompliance material to financial statements noted?

	_____ Yes	_____ X	_____ No
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STATE AWARDS

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-001 – STATE COMPLIANCE – TRANSPORTATION MAINTENANCE OF EFFORT (40000)

Criteria:

As specified in California Education Code Section 2575(k) and 42238.3(a)(6)(b) in the 2012-13 fiscal year, the LEA must expend at least the amount expended in 2012-13, or the amount of revenue received for that purpose in 2012-13 if that is less, in the fiscal year being audited.

Condition:

During fiscal year 2021-22 the District expended \$7,425 related to transportation which was less than the required minimum amount spent or received related to transportation during the fiscal year 2012-13. In fiscal year 2012-13, the District expended \$57,912 and received revenue totaling \$42,556 related to transportation.

Effect:

The District is not in compliance with Transportation Maintenance of Effort requirements.

Cause:

During the 2021-22 fiscal year the District was not able to find a sufficient number of bus drivers to provide transportation services for District students due to driver shortages.

Fiscal Impact:

There is no fiscal impact related to this finding.

Recommendation:

We recommend the District continue to pursue the proper personnel to provide transportation services for District student in order to comply with Transportation Maintenance of Effort requirements of the State of California.

Views of Responsible Officials and Planned Corrective Actions:

District management concurs with this finding and will continue to search for drivers and obtain transportation services.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

2022-001 - DEFICIENCY – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Condition: At the Newcastle Charter School, it was noted that 3 students were improperly included in the Free and Reduced Meal Program.

Newcastle Charter School

Unduplicated pupil count based on:	Enrollment	FRPM	ELAS	Both	TOTAL
As certified on CALPADS	240	36	2	7	45
Audit Adjustments		<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
Adjusted Counts		<u>33</u>	<u>2</u>	<u>7</u>	<u>42</u>

Recommendation: The District should ensure all students indicated as free or reduced are properly supported by completed documentation to ensure all student counts are properly stated.

Current Status: Implemented.

District Explanation if Not Implemented: N/A