

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2020

NEWCASTLE ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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NEWCASTLE ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Newcastle Elementary School District
Newcastle, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newcastle Elementary School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Newcastle Elementary School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 16 and the General Fund Budgetary Comparison Schedule, Charter Schools 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, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of 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 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 Newcastle Elementary School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
November 20, 2020

Newcastle Elementary School District
Management's Discussion and Analysis
For the year ending June 30, 2020

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 it's 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.

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

The operations and business results of the District could be materially adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be materially adversely impacted by national, state and local events designed to contain the coronavirus. For the spring portion of the 2019/20 school year, the District offered instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

On March 17, 2020, the District announced that beginning on March 16, 2020 through April 3, 2020, the school and district office would be closed and working remotely. The Governor also signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applies to school districts that comply with Executive Order N-26-20. SB 117 further states the intent of the State Legislature that a school district's employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school

district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. While SB 117 provided some immediate relief to school districts, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation continues to evolve.

On March 19, 2020, the Governor issued Executive Order N-33-20, a State-wide stay at home order to protect the health and well-being of all Californians and to establish consistency across the State in order to slow the spread of COVID-19. Such order went into effect immediately.

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.

- Current ADA at P2 (April 2019) was 177.66

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) as a means to promote STEM and visual/performing arts within the district setting.

- P2 ADA (April 2020) for NCS was 274.02

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 study 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
- Current P2 ADA (April 2020) was 179.48

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 Squaw Valley (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 Squaw Valley, changed structure (back to K-6) and became one of two charter schools run by Creekside Charter Management.
- Current ADA at P2 (April 2020) was 190.06

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 the 3 currently operating schools are sponsored by a district other than NESD.

- Current P2 ADA (April 2020) was 1,172.62

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.

- Current P2 ADA (April 2019) was 48.93

The majority 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 in an effort 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 that building. All of 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 painted.

2019/2020 Staffing

- NES/NCS staff consists of 26.8 Certificated FTE (full-time equivalency) and 16.56 Classified FTE which consists of :

| FTE | Certificated | FTE | Classified |
|-------------|----------------------------|---------------|----------------------------|
| 1 | Principal | 4.3125 | Classified Student Support |
| 19 | General Education Teachers | 1.0 | Counselor |
| .8 | Music Teacher | 2.875 | Custodians |
| .8 | PE Teacher | 1.0 | Director of Facilities |
| .8 | *Spanish Teacher | 1.0 | Director of Food Service |
| 1.0 | RSP Teachers | .5625 | Aide - Library |
| 1.0 | Speech Teacher | 3.031 | RSP Aides |
| .4 | Psychologist | .78125 | RSP Clerk |
| 1.0 | Curriculum Coordinator | 1.0 | School Secretary |
| 1.0 | Director of Special Ed | 1.0 | Director of Technology |
| 26.8 | | 16.56 | |

- NES/NCS continued the minimum days on Mondays which provides common planning time to all certificated staff for 1 hour of their normal contract day. 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 work in a partnership with the 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 values.

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 40 | Special Reserves for Capital Outlay |

The non-major funds for the District are:

| | |
|---------|-------------------------|
| Fund 13 | Cafeteria Fund |
| Fund 14 | Deferred Maintenance |
| Fund 25 | Capital Facilities Fund |

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

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|-------------------|-----------------------|-----------------------|
| Assets | \$25,012,881 | \$26,845,724 |
| Deferred Outflows | \$2,035,788 | \$2,463,486 |
| Deferred Inflows | (\$1,959,000) | (\$2,002,000) |
| Liabilities | <u>(\$10,728,163)</u> | <u>(\$12,326,587)</u> |
| Net Position | \$14,361,506 | \$14,980,623 |

Net position takes into account 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>2019/20</u> | <u>2018/19</u> |
| General Revenues | \$5,597,870 | \$10,156,706 |
| Program Revenues | <u>\$1,165,892</u> | <u>\$1,494,787</u> |
| Total Revenues | <u>\$6,763,762</u> | <u>\$11,651,493</u> |
| Expenditures: | | |
| Instruction | \$4,096,101 | \$3,843,047 |
| Instruction related services | \$1,014,434 | \$1,084,895 |
| Plant services | \$869,534 | \$869,798 |
| Other | <u>\$1,402,809</u> | <u>\$1,371,287</u> |
| Total Expenditures | <u>\$7,382,878</u> | <u>\$7,169,027</u> |
| <i>Change in net position</i> | <i>(\$619,116)</i> | <i>\$4,482,466</i> |
| <u>Net Position</u> | | |
| Beginning of year | \$14,980,623 | \$10,498,157 |
| End of year | \$14,361,507 | \$14,980,623 |

Total assets are reflected in Table 2 below.

Table 2 – Assets

| Assets | 2019/20 | 2018/19 |
|--------------------------|---------------------|---------------------|
| Cash | \$3,559,671 | \$9,054,272 |
| Receivables | \$2,253,164 | \$813,775 |
| Stores Inventory | \$4,199 | \$3,563 |
| Prepaid Expenses | \$18,089 | \$40,651 |
| Non-depreciated Assets | \$788,000 | \$1,579,335 |
| Depreciated Assets | \$21,532,396 | \$16,932,763 |
| Accumulated Depreciation | (\$3,142,638) | (\$2,383,252) |
| Total Assets | \$25,012,881 | \$26,845,024 |

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 | <u>0</u> | |
| Total | \$788,000 | |
| Capital Assets Being Depreciated | Value 6/30/20 | Value 6/30/19 |
| Improvement of Sites | \$1,027,445 | \$1,027,445 |
| Buildings | \$19,772,765 | \$16,058,818 |
| Equipment | <u>\$732,186</u> | <u>\$650,397</u> |
| Total | \$21,532,396 | \$17,736,660 |
| Accumulated Depreciation | (\$3,142,638) | (\$2,383,252) |

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

Table 4 – Liabilities

| Liabilities | 2019/20 | 2018/19 |
|----------------------------------|---------------------|---------------------|
| Accounts Payable & Other Current | \$801,389 | \$2,084,034 |
| Unearned Revenues | \$1,542 | \$7,710 |
| Long-term Liabilities | \$9,925,231 | \$10,234,843 |
| Total Liabilities | \$10,728,162 | \$12,326,587 |

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 6/30/20 | Balance as of 6/30/19 |
| Notes Payable | \$2,799,690 | \$2,868,325 |
| Capital Leases Payable | \$1,051,369 | \$1,110,363 |
| Net Pension Liability | \$5,995,000 | \$6,150,000 |
| Post Employment Benefits (Retiree Health & Welfare) | \$70,579 | \$97,233 |
| Compensated Absences Payable | \$8,593 | \$8,922 |
| Total | \$9,925,231 | \$10,234,843 |

Fund Financial Statements:

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

Newcastle School District has two types 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.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

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 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|--|------------------|-------------------|------------------|------------------|------------------|
| General Fund | 2,903,625 | 2,068,766 | 3,795,902 | 3,645,346 | 3,835,130 |
| Charter Fund | 900,005 | 1,297,634 | 208,595 | 336,301 | 304,252 |
| Cafeteria Fund | 32,759 | 39,918 | 32,838 | 34,126 | 26,121 |
| Deferred Maintenance Fund | 1,200,000 | 298,007 | 385,774 | 352,065 | 322,628 |
| Capital Facilities Fund | 30,568 | 11,342 | 14,078 | 8,705 | 24,645 |
| Special Reserve for Capital Outlay Fund | 1,500,000 | 9,659,968 | 3,840,568 | 3,449,018 | 523,421 |
| Total Governmental Funds | 6,566,957 | 13,375,635 | 8,277,755 | 7,825,561 | 5,036,198 |

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 new Local Control Funding Formula (LCFF). For the year ending 6/30/20, Local Control Funding Formula represented approximately 64% of the total revenue. The LCFF model combined all of the state categorical programs, with the exception of Special Education and State Lottery, to become part of unrestricted general revenue instead of receiving individual entitlements as in past years.

Annual State appropriations are computed based on average daily attendance (ADA). This is unrestricted revenue that is used to pay for the “meat and potatoes” of our daily operation.

School District Basic Aid Supplement Charter School Adjustment is funding that's unique to school districts whose collective ADA consists more of charter school students than resident students. This one time funding was part of NESD's state aid but is calculated outside of LCFF calculations, however this funding ended with the 2018/19 fiscal year. NESD received a prior year (2018/19) adjustment in 2019/20 in the amount of \$789,000 which is anticipated to be the final disbursement.

In lieu tax transfers for the charter schools are reflected as a reduction in LCFF funding. Tax revenues are 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 2019/20 fiscal year, Federal funding represented about 3.3% of the District's revenue.

Local Funding:

Local funding represented about 23% of the General Fund total revenue for 2019/20. 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 2019/20 fiscal year, the District made a contribution to restricted programs in the amount of \$206,908 to cover the cost of maintenance salaries, COVID 19 expenses and special education program costs.

At times, the district's special education students need to be in programs other than the traditional classroom, attend programs that are designed to meet the needs of the student. In 2019/20 NESD had no student placement in a non-public school program. Transportation funding was also rolled into LCFF calculation in order to continue to transport our students and control expenses. NESD has one afternoon route and offers free bus service to all students.

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

The District spent a total of \$5,010,885 salaries/benefits, which is 80% of the overall 2019/20 expenses for the combined programs. This percent is considered moderately typical for industry standards.. Approximately 22% of this total was for expenses relating to restricted programs, with the balance being paid with unrestricted revenues. This includes step and column increases in addition to a 2.5% increase for certificated, confidential and management and 9.71% for classified staff. The Health and Welfare caps are \$9,084 for full time certificated, classified, confidential and management employees which is prorated per full time equivalency (FTE). 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 \$250,044 was spent in this area for 2019/20 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.

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 \$656,398 represents 10% of the 2019/20 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 2019/20 were for the installation of the electronic marquees, the maintenance/food service van and the internet cabling project that connected upper and lower campus. The total of \$81,788 represents 1% of the 2019/20 actual expenses.

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 \$311,789 represents 5% of the 2019/20 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 of 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, 2020. The increase to 2019/20 LCFF actual revenue was due to a prior year adjustment to the basic aid supplemental funding in the amount of \$798,000 that was received in March of 2020.

**Table 6 – Budget vs Actuals for the 2019/20 fiscal year - Fund 01 – General Fund
Including other financing sources (transfers in/out)**

| | <u>2019/20</u> | | <u>Actuals</u> | <u>Actuals</u> | <u>Actuals</u> |
|---|--------------------------------|------------------|--------------------------|--------------------------|--------------------------|
| | <u>Original Budget Adopted</u> | <u>Final</u> | <u>Fiscal Year 19/20</u> | <u>Fiscal Year 18/19</u> | <u>Fiscal Year 17/18</u> |
| Revenues | | | | | |
| Total LCFF sources | \$1,725,060 | \$1,725,060 | \$2,628,535 | \$7,284,143 | \$6,857,228 |
| Federal sources | 133,243 | 133,243 | 133,957 | 172,605 | 152,031 |
| Other State sources | 261,354 | 261,354 | 298,854 | 451,839 | 407,286 |
| Other local sources | 795,030 | 795,030 | 930,801 | 886,670 | 989,821 |
| Total Revenues | 2,914,687 | 2,914,687 | 3,992,147 | 8,795,257 | 8,406,366 |
| Expenditures | | | | | |
| Certificated salaries | 1,519,965 | 1,519,965 | 1,528,730 | 1,466,573 | 1,652,570 |
| Classified salaries | 754,469 | 754,469 | 799,476 | 762,197 | 813,415 |
| Employee benefits | 891,293 | 891,293 | 910,196 | 955,731 | 833,968 |
| Books and supplies | 142,666 | 142,666 | 159,212 | 147,235 | 165,496 |
| Contracted services and operating expenditures | 415,254 | 415,254 | 155,435 | 291,739 | 245,227 |
| Capital Outlay | 0 | 0 | 81,788 | 419,398 | 603,703 |
| Other outgo | 118,726 | 118,726 | 173,150 | 113,490 | 189,502 |
| Total Expenditures | 3,842,373 | 3,842,373 | 3,807,987 | 4,156,363 | 4,503,881 |
| (Deficiency) excess of revenues (under) over expenditures | (927,686) | (927,686) | 184,160 | 3,902,485 | 3,677,589 |
| Other Financing Sources | (4,450) | (4,450) | 5,624 | (2,175,349) | (4,512,448) |
| Net Incr/Decr in Fund Bal | (932,136) | (932,136) | 189,784 | 1,727,136 | (834,859) |

Factors bearing on the District's Future:

In conclusion, 2019/20 was the seventh year of the new "Local Control Funding Formula (LCFF). 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 in order 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 LCAP was modified for the 2019/20 school year and renamed the Learning Continuity and Attendance Plan. This condensed version of the Local Control Accountability Plan focuses mainly on learning loss and attendance that was impacted by the March to June school closure and shift to distance learning. In addition to this compact LCAP there is a COVID 19 Written Report and Budget Overview For Parents.

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. The future of education finance is uncertain due to the COVID-19 pandemic so NESD's Board of Trustee and Administration are carefully monitoring the budget in order to keep our program strong. 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
- ❑ The inclusion of special needs and ESL children into our school program(s) resulting in significant additional expenses to provide them with mandatory educational support services without additional resources from the State
- ❑ Paying off debt service of the district
- ❑ Increases to employer retirement costs for both STRS & PERS to help fund the potential deficits projected over the next several years
- ❑ Deferrals on the State Aid apportionment of LCFF revenue in 2020/21

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, 2020

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$ 3,559,671 |
| Receivables | 2,253,164 |
| Stores inventory | 4,199 |
| Prepaid expenses | 18,089 |
| Non-depreciable capital assets (Note 4) | 788,000 |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | <u>18,389,758</u> |
| Total assets | <u>25,012,881</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow of resources - pensions (Notes 7 and 8) | <u>2,035,788</u> |
| LIABILITIES | |
| Accounts payable | 801,390 |
| Unearned revenue | 1,542 |
| Long-term liabilities (Note 5): | |
| Due within one year | 164,410 |
| Due after one year | <u>9,760,821</u> |
| Total liabilities | <u>10,728,163</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pensions (Notes 7 and 8) | <u>1,959,000</u> |
| NET POSITION | |
| Net investment in capital assets | 15,326,699 |
| Restricted: | |
| Legally restricted programs | 899,468 |
| Capital projects | 548,066 |
| Unrestricted | <u>(2,412,727)</u> |
| Total net position | <u>\$ 14,361,506</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, 2020

| | | Program Revenues | | Net (Expense) Revenues and Changes in Net Position |
|---|--------------|----------------------------|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction | \$ 4,096,101 | \$ 132,943 | \$ 510,103 | \$ (3,453,055) |
| Instruction-related services: | | | | |
| Instructional library, media and technology | 10,700 | - | - | (10,700) |
| School site administration | 553,958 | 40,140 | 129,908 | (383,910) |
| Pupil services: | | | | |
| Home-to-school transportation | 60,586 | - | - | (60,586) |
| Food services | 170,392 | 68,897 | 75,865 | (25,630) |
| All other pupil services | 218,798 | 1,005 | 75,080 | (142,713) |
| General administration: | | | | |
| Centralized data processing | 164,923 | - | - | (164,923) |
| All other general administration | 1,038,594 | 6,493 | 45,520 | (986,581) |
| Plant services | 869,534 | 26,980 | 7,934 | (834,620) |
| Ancillary services | 15,471 | - | 333 | (15,138) |
| Interest on long-term liabilities | 118,124 | - | - | (118,124) |
| Other outgo | 65,697 | 22,019 | 22,672 | (21,006) |
| Total governmental activities | \$ 7,382,878 | \$ 298,477 | \$ 867,415 | (6,216,986) |
| General revenues: | | | | |
| Taxes and subventions: | | | | |
| Taxes levied for general purposes | | | | 1,413,929 |
| Federal and state aid not restricted to specific purposes | | | | 3,631,115 |
| Interest and investment earnings | | | | 92,289 |
| Interagency revenues | | | | 195,203 |
| Miscellaneous | | | | 265,334 |
| Total general revenues | | | | 5,597,870 |
| Change in net position | | | | (619,116) |
| Net position, July 1, 2019 | | | | 14,980,623 |
| Net position, June 30, 2020 | | | | \$ 14,361,507 |

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

| | <u>General Fund</u> | <u>Charter Schools Fund</u> | <u>Special Reserve for Capital Outlay Fund</u> | <u>All Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--|------------------------------------|---|
| ASSETS | | | | | |
| Cash and investments: | | | | | |
| Cash in County Treasury | \$ 2,576,150 | \$ 105,879 | \$ 523,139 | \$ 353,803 | \$ 3,558,971 |
| Cash in revolving fund | 700 | - | - | - | 700 |
| Receivables | 1,662,142 | 582,420 | 435 | 8,166 | 2,253,163 |
| Due from other funds | 66,925 | - | - | 13,094 | 80,019 |
| Stores inventory | - | - | - | 4,199 | 4,199 |
| Prepaid expenditures | <u>12,098</u> | <u>2,605</u> | <u>-</u> | <u>3,386</u> | <u>18,089</u> |
| Total assets | <u>\$ 4,318,015</u> | <u>\$ 690,904</u> | <u>\$ 523,574</u> | <u>\$ 382,648</u> | <u>\$ 5,915,141</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 468,249 | \$ 319,727 | \$ 153 | \$ 9,253 | \$ 797,382 |
| Due to other funds | 13,094 | 66,925 | - | - | 80,019 |
| Unearned revenue | <u>1,542</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,542</u> |
| Total liabilities | <u>482,885</u> | <u>386,652</u> | <u>153</u> | <u>9,253</u> | <u>878,943</u> |
| Fund balances: | | | | | |
| Nonspendable | 12,798 | 2,605 | - | 7,585 | 22,988 |
| Restricted | 246,466 | 301,647 | 523,421 | 365,810 | 1,437,344 |
| Committed | 197,092 | - | - | - | 197,092 |
| Assigned | 3,061,233 | - | - | - | 3,061,233 |
| Unassigned | <u>317,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>317,541</u> |
| Total fund balances | <u>3,835,130</u> | <u>304,252</u> | <u>523,421</u> | <u>373,395</u> | <u>5,036,198</u> |
| Total liabilities and fund balances | <u>\$ 4,318,015</u> | <u>\$ 690,904</u> | <u>\$ 523,574</u> | <u>\$ 382,648</u> | <u>\$ 5,915,141</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, 2020

Total fund balances - Governmental Funds \$ 5,036,198

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 \$19,316,015 and the accumulated depreciation is \$2,383,252 (Note 4). 19,177,758

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. (4,006)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of (Note 5):

| | | | |
|--|----|----------------|-------------|
| Capitalized lease obligations | \$ | (1,051,369) | |
| Note payable | | (2,799,690) | |
| Net pension liability (Notes 7 and 8) | | (5,995,000) | |
| Other postemployment benefits (Note 9) | | (70,579) | |
| Compensated absences | | <u>(8,593)</u> | |
| | | | (9,925,231) |

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8):

| | | | |
|---|----|--------------------|---------------|
| Deferred outflows of resources relating to pensions | \$ | 2,035,788 | |
| Deferred inflows of resources relating to pensions | | <u>(1,959,000)</u> | |
| | | | <u>76,788</u> |

Total net position - governmental activities \$ 14,361,507

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, 2020

| | General Fund | Charter Schools Fund | Special Reserve for Capital Outlay Fund | All Non-Major Funds | Total Governmental Funds |
|--|---------------------|----------------------------|---|---------------------------|--------------------------------|
| Revenues: | | | | | |
| Local Control Funding Formula (LCFF): | | | | | |
| State apportionment | \$ 2,323,843 | \$ 2,038,627 | \$ - | \$ - | \$ 4,362,470 |
| Local sources | <u>304,692</u> | <u>276,725</u> | - | - | <u>581,417</u> |
| Total LCFF | <u>2,628,535</u> | <u>2,315,352</u> | - | - | <u>4,943,887</u> |
| Federal sources | 133,957 | - | - | 64,175 | 198,132 |
| Other state sources | 298,854 | 194,785 | - | 11,892 | 505,531 |
| Other local sources | <u>930,801</u> | <u>6,280</u> | <u>8,994</u> | <u>108,135</u> | <u>1,054,210</u> |
| Total revenues | <u>3,992,147</u> | <u>2,516,417</u> | <u>8,994</u> | <u>184,202</u> | <u>6,701,760</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Certificated salaries | 1,528,730 | 997,082 | - | - | 2,525,812 |
| Classified salaries | 799,476 | 268,325 | - | 57,956 | 1,125,757 |
| Employee benefits | 910,196 | 507,076 | - | 22,396 | 1,439,668 |
| Books and supplies | 159,212 | 90,832 | - | 67,195 | 317,239 |
| Contract services and operating expenditures | 155,435 | 500,963 | 101,154 | 110,082 | 867,634 |
| Other outgo | 65,697 | - | - | - | 65,697 |
| Capital outlay | 81,788 | - | 2,821,437 | - | 2,903,225 |
| Debt service: | | | | | |
| Principal retirement | 56,780 | 70,849 | - | - | 127,629 |
| Interest | <u>50,673</u> | <u>67,789</u> | - | - | <u>118,462</u> |
| Total expenditures | <u>3,807,987</u> | <u>2,502,916</u> | <u>2,922,591</u> | <u>257,629</u> | <u>9,491,123</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>184,160</u> | <u>13,501</u> | <u>(2,913,597)</u> | <u>(73,427)</u> | <u>(2,789,363)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | 57,550 | - | - | 51,926 | 109,476 |
| Transfers out | <u>(51,926)</u> | <u>(45,550)</u> | <u>(12,000)</u> | - | <u>(109,476)</u> |
| Total other financing sources (uses): | <u>5,624</u> | <u>(45,550)</u> | <u>(12,000)</u> | <u>51,926</u> | <u>-</u> |
| Net change in fund balances | 189,784 | (32,049) | (2,925,597) | (21,501) | (2,789,363) |
| Fund balances, July 1, 2019 | <u>3,645,346</u> | <u>336,301</u> | <u>3,449,018</u> | <u>394,896</u> | <u>7,825,561</u> |
| Fund balances, June 30, 2020 | <u>\$ 3,835,130</u> | <u>\$ 304,252</u> | <u>\$ 523,421</u> | <u>\$ 373,395</u> | <u>\$ 5,036,198</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, 2020

| | |
|---|---------------------|
| Net change in fund balances - Total Governmental Funds | \$ (2,789,363) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). | 3,004,381 |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). | (759,386) |
| In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8). | (229,697) |
| Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5). | 127,629 |
| Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. | 337 |
| 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 5). | <u>26,983</u> |
| Change in net position of governmental activities | <u>\$ (619,116)</u> |

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2020

| | <u>Agency Funds</u> | |
|------------------------------------|--------------------------|----------------------------------|
| | <u>Student Body Fund</u> | <u>Payroll Clearing Fund</u> |
| ASSETS | | |
| Cash in County Treasury (Note 2) | \$ - | \$ 108,087 |
| Cash on hand and in banks (Note 2) | 53,871 | - |
| Total assets | \$ 53,871 | \$ 108,087 |
| LIABILITIES | | |
| Due to student groups | \$ 53,871 | \$ - |
| Due to other agencies | - | 108,087 |
| Total liabilities | \$ 53,871 | \$ 108,087 |

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

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

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

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

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

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, 2020

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 Schools Fund - The Charter Schools 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.

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

Other Funds:

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 used to account for resources used for the acquisition of capital facilities by the District.

Payroll Clearing Fund - The Payroll Clearing Fund is used to account for assets of others for which the District has an agency relationship with the activity of the Fund.

Student Body Fund - The Student Body Fund is used to account for assets of others for which the District has an agency relationship with the activity of the Fund.

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

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

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible 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.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020.

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 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 | \$ 1,498,188 | \$ 537,600 | \$ 2,035,788 |
| Deferred inflows of resources | \$ 1,937,000 | \$ 22,000 | \$ 1,959,000 |
| Net pension liability | \$ 3,955,000 | \$ 2,040,000 | \$ 5,995,000 |
| Pension expense | \$ 707,175 | \$ 529,286 | \$ 1,236,461 |

Compensated Absences: Compensated absences benefits in the amount of \$8,593 are recorded as a liability of the District. The liability is for the earned but unused benefits.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable 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.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020, the District had \$197,092 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.

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, 2020, 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.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2020, the District'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, 2020, 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.

NOTE 2 - CASH AND INVESTMENTS

Cash at June 30, 2020 consisted of the following:

| | <u>Governmental Funds</u> | <u>Fiduciary Funds</u> |
|---------------------------|-------------------------------|----------------------------|
| Pooled Funds: | | |
| Cash in County Treasury | \$ 3,558,971 | \$ 108,087 |
| Deposits: | | |
| Cash on hand and in banks | - | 53,871 |
| Cash in revolving fund | 700 | - |
| | <u>\$ 3,559,671</u> | <u>\$ 161,958</u> |

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's 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, 2020, the carrying amount of the District's accounts was \$54,571 and the bank balance was \$56,400, 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, 2020, the District had no significant interest rate risk related to cash and investments held.

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

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

NOTE 3 - INTERFUND TRANSACTIONS

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

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

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|---------------------------|----------------------------------|-------------------------------|
| Major Funds: | | |
| General | \$ 66,925 | \$ 13,094 |
| Charter School Fund | - | 66,925 |
| Non-Major Funds: | | |
| Cafeteria Fund | 1,926 | - |
| Deferred Maintenance Fund | 11,168 | - |
| Totals | \$ 80,019 | \$ 80,019 |

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2019-2020 fiscal year were as follows:

| | |
|--|--------------------------|
| Transfer from Special Reserve Capital Outlay Projects Fund to the General Fund for the purchase of supplies. | \$ 12,000 |
| Transfers from General Fund to Cafeteria Fund for outstanding lunch balances. | 1,926 |
| Transfer from General Fund to Deferred Maintenance Fund for projects. | 50,000 |
| Transfer from Charter Schools Fund to General Fund for building lease. | <u>45,550</u> |
| | <u><u>\$ 109,476</u></u> |

NOTE 4 - CAPITAL ASSETS

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

| | Balance July 1, <u>2019</u> | Transfers and <u>Additions</u> | Transfers and <u>Deductions</u> | Balance June 30, <u>2020</u> |
|--------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 788,000 | \$ - | \$ - | \$ 788,000 |
| Work-in-process | 791,355 | - | (791,355) | - |
| Depreciable: | | | | |
| Improvement of sites | 1,027,445 | - | - | 1,027,445 |
| Buildings | 16,058,818 | 3,713,947 | - | 19,772,765 |
| Equipment | <u>650,397</u> | <u>81,789</u> | <u>-</u> | <u>732,186</u> |
| Totals, at cost | <u>19,316,015</u> | <u>3,795,736</u> | <u>(791,355)</u> | <u>22,320,396</u> |
| Less accumulated depreciation: | | | | |
| Improvement of sites | (432,458) | (662,798) | - | (1,095,256) |
| Buildings | (1,834,065) | (51,018) | - | (1,885,083) |
| Equipment | <u>(116,729)</u> | <u>(45,570)</u> | <u>-</u> | <u>(162,299)</u> |
| Total accumulated depreciation | <u>(2,383,252)</u> | <u>(759,386)</u> | <u>-</u> | <u>(3,142,638)</u> |
| Capital assets, net | <u>\$ 16,932,763</u> | <u>\$ 3,036,350</u> | <u>\$ (791,355)</u> | <u>\$ 19,177,758</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|-------------|-------------------|
| Instruction | <u>\$ 759,386</u> |
|-------------|-------------------|

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES

Capitalized Lease Obligation: The District leases certain property and equipment under a capital lease purchase agreement. The capitalized value of the capital assets under lease was \$1,360,206 with accumulated depreciation of \$225,062. Future minimum lease payments are as follows:

| Year Ending <u>June 30,</u> | <u>Payments</u> |
|-----------------------------------|---------------------|
| 2021 | \$ 99,542 |
| 2022 | 101,538 |
| 2023 | 103,615 |
| 2024 | 105,775 |
| 2025 | 108,021 |
| 2026-2030 | 552,003 |
| 2031-2035 | <u>230,643</u> |
| | 1,301,137 |
| Less amount representing interest | <u>(249,768)</u> |
| Totals | <u>\$ 1,051,369</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 <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2021 | \$ 70,570 | \$ 77,901 | \$ 148,471 |
| 2022 | 72,560 | 75,911 | 148,471 |
| 2023 | 74,606 | 73,865 | 148,471 |
| 2024 | 76,710 | 71,761 | 148,471 |
| 2025 | 78,872 | 69,599 | 148,471 |
| 2026-2030 | 429,001 | 313,354 | 742,355 |
| 2031-2035 | 492,990 | 249,365 | 742,355 |
| 2036-2040 | 575,018 | 175,152 | 750,170 |
| 2041-2045 | 652,291 | 90,064 | 742,355 |
| 2045-2048 | <u>277,072</u> | <u>9,551</u> | <u>286,623</u> |
| | <u>\$ 2,799,690</u> | <u>\$ 1,206,523</u> | <u>\$ 4,006,213</u> |

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

| | Balance July 1, <u>2019</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2020</u> | Amounts Due Within <u>One Year</u> |
|--|-----------------------------------|------------------|-------------------|------------------------------------|--|
| <u>Debt:</u> | | | | | |
| Capitalized lease obligation | \$ 1,110,363 | \$ - | \$ 58,994 | \$ 1,051,369 | \$ 63,135 |
| Note payable (direct placement) | 2,868,325 | - | 68,635 | 2,799,690 | 70,570 |
| <u>Other long-term liabilities:</u> | | | | | |
| Net pension liability (Notes 7 & 8) | 6,150,000 | - | 155,000 | 5,995,000 | - |
| Other postemployment benefits (Note 9) | 97,233 | - | 26,654 | 70,579 | 22,112 |
| Compensated absences | <u>8,922</u> | <u>-</u> | <u>329</u> | <u>8,593</u> | <u>8,593</u> |
| | <u>\$ 10,234,843</u> | <u>\$ -</u> | <u>\$ 309,612</u> | <u>\$ 9,925,231</u> | <u>\$ 164,410</u> |

Payments on the note payable and capitalized lease obligations are made from the General Fund, Charter Schools Fund and the Capital Facilities 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, 2020

NOTE 6 - FUND BALANCES

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

| | General <u>Fund</u> | Charter Schools <u>Fund</u> | Special Reserve for Capital Outlay <u>Fund</u> | All Non-Major <u>Funds</u> | <u>Total</u> |
|---|------------------------|-----------------------------------|---|----------------------------------|---------------------|
| Nonspendable: | | | | | |
| Revolving cash fund | \$ 700 | \$ - | \$ - | \$ - | \$ 700 |
| Stores inventory | - | - | - | 4,199 | 4,199 |
| Prepaid expenditures | <u>12,098</u> | <u>2,605</u> | - | <u>3,386</u> | <u>18,089</u> |
| Subtotal nonspendable | <u>12,798</u> | <u>2,605</u> | - | <u>7,585</u> | <u>22,988</u> |
| Restricted: | | | | | |
| Capital projects | - | - | 523,421 | 24,645 | 548,066 |
| Legally restricted programs | <u>246,466</u> | <u>301,647</u> | - | <u>341,165</u> | <u>889,278</u> |
| Subtotal restricted | <u>246,466</u> | <u>301,647</u> | <u>523,421</u> | <u>365,810</u> | <u>1,437,344</u> |
| Committed: | | | | | |
| Long-term obligations | <u>197,092</u> | - | - | - | <u>197,092</u> |
| Assigned: | | | | | |
| Additional 10% REU | 635,083 | - | - | - | 635,083 |
| Reserve for 2020/21 Deficit spending | 880,000 | - | - | - | 880,000 |
| Reserve 21/22 Deficit | 1,125,345 | - | - | - | 1,125,345 |
| Reserve for 20/21 and 21/22 compensation | 250,000 | - | - | - | 250,000 |
| Other | <u>170,805</u> | - | - | - | <u>170,805</u> |
| Subtotal assigned | <u>3,061,233</u> | - | - | - | <u>3,061,233</u> |
| Unassigned: | | | | | |
| Designated for economic uncertainty | <u>317,541</u> | - | - | - | <u>317,541</u> |
| Total fund balances | <u>\$ 3,835,130</u> | <u>\$ 304,252</u> | <u>\$ 523,421</u> | <u>\$ 373,395</u> | <u>\$ 5,036,198</u> |

(Continued)

NOTE 7 – 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, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a 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, 2020

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

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

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

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

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

The CalSTRS employer contribution rate increases effective for fiscal year 2019-2020 through fiscal year 2045-46 are summarized in the table below:

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>Increase</u> | <u>Total</u> |
|-----------------------------------|-------------------|--|-----------------------|
| July 01, 2019 | 8.25% | 9.88% | 18.13% ⁽¹⁾ |
| July 01, 2020 | 8.25% | 10.85% | 19.10% ⁽²⁾ |
| July 01, 2021 to June 30, 2046 | 8.25% | (3) | (3) |
| July 01, 2046 | 8.25% | Increase from prior rate ceases in 2046-47 | |

- (1) This rate does not include the reduction of employer contributions to be paid by the employer for fiscal year 2019-20 by 1.03 percentage points pursuant to SB90.
- (2) This rate does not include the reduction of employer contributions to be paid by the employer for fiscal year 2020-21 by 0.70 percentage points pursuant to SB 90.
- (3) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$428,188 to the plan for the fiscal year ended June 30, 2020.

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

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

| <u>Effective Date</u> | <u>Base Rate</u> | <u>AB 1469 Increase For 1990 Benefit Structure</u> | <u>SBMA Funding⁽¹⁾</u> | <u>Total State Appropriation to DB Program</u> |
|--------------------------------|------------------|--|-----------------------------------|--|
| July 01, 2019 | 2.017% | 5.811% ⁽²⁾ | 2.50% | 10.328% ⁽³⁾ |
| July 01, 2020 to June 30, 2046 | 2.017% | (3) | 2.50% | (4) |
| July 01, 2046 and thereafter | 2.017% | (4) | 2.50% | 4.517% ⁽⁵⁾ |

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

(2) In May 2019, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2019.

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

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

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

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

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

| | |
|---|----------------------------|
| District's proportionate share of the net pension liability | \$ 3,955,000 |
| State's proportionate share of the net pension liability associated with the District | <u>2,158,000</u> |
| Total | <u>\$ 6,113,000</u> |

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019, the District's proportion was 0.004 percent, which was a decrease of 0.001 from its proportion measured as of June 30, 2019.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$707,175 and revenue of \$362,976 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 10,000 | \$ 111,000 |
| Changes of assumptions | 500,000 | - |
| Net differences between projected and actual earnings on investments | - | 152,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 560,000 | 1,674,000 |
| Contributions made subsequent to measurement date | <u>428,188</u> | <u>-</u> |
| Total | <u>\$ 1,498,188</u> | <u>\$ 1,937,000</u> |

\$428,188 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|--------------|
| 2021 | \$ (58,616) |
| 2022 | \$ (164,617) |
| 2023 | \$ (129,617) |
| 2024 | \$ (129,950) |
| 2025 | \$ (340,200) |
| 2026 | \$ (44,000) |

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

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

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

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

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

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

* 20-year geometric average

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

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

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

| | 1% Decrease <u>(6.10%)</u> | Current Discount Rate <u>(7.10%)</u> | 1% Increase <u>(8.10%)</u> |
|--|----------------------------------|--|----------------------------------|
| District's proportionate share of the net pension liability | \$ <u>5,890,000</u> | \$ <u>3,955,000</u> | \$ <u>2,351,000</u> |

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

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

General Information about the Public Employer's Retirement Fund B

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

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

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

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

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

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

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

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

The District contributed \$213,600 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$2,040,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as of June 30, 2018. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019 the District’s proportion was 0.007 percent, which is unchanged from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$529,286. At June 30, 2020, 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 | \$ 148,000 | \$ - |
| Changes of assumptions | 97,000 | - |
| Net differences between projected and actual earnings on investments | - | 19,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 79,000 | 3,000 |
| Contributions made subsequent to measurement date | <u>213,600</u> | <u>-</u> |
| Total | <u>\$ 537,600</u> | <u>\$ 22,000</u> |

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$213,600 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending <u>June 30,</u> | | | |
|--------------------------------|----|---------|--|
| 2021 | \$ | 242,666 | |
| 2022 | \$ | 35,667 | |
| 2023 | \$ | 18,167 | |
| 2024 | \$ | 5,500 | |

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

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

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2018 |
| Experience Study | June 30, 1997 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.15% |
| Consumer Price Inflation | 2.50% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | 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, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

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

* 10-year geometric average

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

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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> |
|--|----------------------------------|--|
| District’s proportionate share of the net pension liability | <u>\$ 2,941,000</u> | <u>\$ 2,040,000</u> |

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 7 and 8, 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, 2020, three retirees met this eligibility requirement.

During the year, expenditures of \$26,654 were recognized for retiree health care benefits. The accumulated future liability for the District at June 30, 2020 amounts to \$70,579. The District only has one retiree who currently participate 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.

NOTE 10 - 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.

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - JOINT POWERS AGREEMENT (Continued)

The following is a summary of financial information for SIG at June 30, 2019 (most recently available):

| | | |
|-------------------------|----|-------------|
| Total assets | \$ | 104,966,647 |
| Total deferred outflows | \$ | 302,925 |
| Total liabilities | \$ | 38,704,856 |
| Total deferred inflows | \$ | 68,338 |
| Net position | \$ | 66,496,378 |
| Total revenues | \$ | 92,255,000 |
| Total expenses | \$ | 91,961,717 |
| Change in net position | \$ | 293,283 |

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 11 - CONTINGENCIES

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

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.

NOTE 12 – COVID-19 IMPACT

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

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed. The State of California has adopted a budget that continues funding to school districts at a rate commensurate with funding levels of the 2020 school year, on a stated payment schedule. Further legislation has been adopted to provide for additional on behalf payments of certain pension liability payments through the next two fiscal years. The District has reflected each of these measures in their budgeting process.

REQUIRED SUPPLEMENTARY INFORMATION

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY CMPARISON SCHEDULE
For the Year Ended June 30, 2020

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Local Control Funding Formula (LCFF): | | | | |
| State apportionment | \$ 1,067,826 | \$ 1,067,826 | \$ 2,323,843 | \$ 1,256,017 |
| Local sources | 657,234 | 657,234 | 304,692 | (352,542) |
| Total LCFF | <u>1,725,060</u> | <u>1,725,060</u> | <u>2,628,535</u> | <u>903,475</u> |
| Federal sources | 133,243 | 133,243 | 133,957 | 714 |
| Other state sources | 261,354 | 261,354 | 298,854 | 37,500 |
| Other local sources | 795,030 | 795,030 | 930,801 | 135,771 |
| Total revenues | <u>2,914,687</u> | <u>2,914,687</u> | <u>3,992,147</u> | <u>1,077,460</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 1,519,965 | 1,519,965 | 1,528,730 | (8,765) |
| Classified salaries | 754,469 | 754,469 | 799,476 | (45,007) |
| Employee benefits | 891,293 | 891,293 | 910,196 | (18,903) |
| Books and supplies | 142,666 | 142,666 | 159,212 | (16,546) |
| Contract services and operating expenditures | 415,254 | 415,254 | 155,435 | 259,819 |
| Other outgo | 11,300 | 11,300 | 65,697 | (54,397) |
| Capital outlay | - | - | 81,788 | (81,788) |
| Debt Service: | | | | |
| Principal retirement | 50,645 | 50,645 | 56,780 | (6,135) |
| Interest | 56,781 | 56,781 | 50,673 | 6,108 |
| Total expenditures | <u>3,842,373</u> | <u>3,842,373</u> | <u>3,807,987</u> | <u>34,386</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(927,686)</u> | <u>(927,686)</u> | <u>184,160</u> | <u>1,111,846</u> |
| Other financing (uses) sources: | | | | |
| Transfers in | 45,550 | 45,550 | 57,550 | 12,000 |
| Transfers out | (50,000) | (50,000) | (51,926) | (1,926) |
| Total other financing (uses) sources: | <u>(4,450)</u> | <u>(4,450)</u> | <u>5,624</u> | <u>10,074</u> |
| Net change in fund balance | (932,136) | (932,136) | 189,784 | 1,121,920 |
| Fund balance, July 1, 2019 | 3,645,346 | 3,645,346 | 3,645,346 | - |
| Fund balance, June 30, 2020 | <u>\$ 2,713,210</u> | <u>\$ 2,713,210</u> | <u>\$ 3,835,130</u> | <u>\$ 1,121,920</u> |

See accompanying note to required supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 CHARTER SCHOOLS FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2020

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--|----------------------|----------------------|----------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Local Control Funding Formula (LCFF): | | | | |
| State apportionment | \$ 1,409,019 | \$ 1,409,019 | \$ 2,038,627 | \$ 629,608 |
| Local sources | <u>865,760</u> | <u>865,760</u> | <u>276,725</u> | <u>(589,035)</u> |
| Total LCFF | <u>2,274,779</u> | <u>2,274,779</u> | <u>2,315,352</u> | <u>40,573</u> |
| Other state sources | 167,538 | 167,538 | 194,785 | 27,247 |
| Other local sources | <u>5,500</u> | <u>5,500</u> | <u>6,280</u> | <u>780</u> |
| Total revenues | <u>2,447,817</u> | <u>2,447,817</u> | <u>2,516,417</u> | <u>68,600</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 984,524 | 984,524 | 997,082 | (12,558) |
| Classified salaries | 263,840 | 263,840 | 268,325 | (4,485) |
| Employee benefits | 491,328 | 491,328 | 507,076 | (15,748) |
| Books and supplies | 123,971 | 123,971 | 90,832 | 33,139 |
| Contract services and operating expenditures | 395,790 | 395,790 | 500,963 | (105,173) |
| Debt Service: | | | | |
| Principal retirement | 70,849 | 70,849 | 70,849 | - |
| Interest | <u>67,820</u> | <u>67,820</u> | <u>67,789</u> | <u>31</u> |
| Total expenditures | <u>2,398,122</u> | <u>2,398,122</u> | <u>2,502,916</u> | <u>(104,825)</u> |
| Excess of revenues over expenditures | <u>49,695</u> | <u>49,695</u> | <u>13,501</u> | <u>173,425</u> |
| Other financing uses: | | | | |
| Transfers out | <u>(45,550)</u> | <u>(45,550)</u> | <u>(45,550)</u> | <u>-</u> |
| Net change in fund balance | 4,145 | 4,145 | (32,049) | 173,425 |
| Fund balance, July 1, 2019 | <u>336,301</u> | <u>336,301</u> | <u>336,301</u> | <u>-</u> |
| Fund balance, June 30, 2020 | <u>\$ 340,446</u> | <u>\$ 340,446</u> | <u>\$ 304,252</u> | <u>\$ 173,425</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, 2020

| | State Teachers' Retirement Plan Last 10 Fiscal Years | | | | | |
|--|---|---------------------|---------------------|----------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| District's proportion of the net pension liability | 0.006% | 0.006% | 0.007% | 0.007% | 0.005% | 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 |
| 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> |
| 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> |
| District's covered payroll | \$ 2,508,000 | \$ 2,884,000 | \$ 3,356,000 | \$ 3,855,000 | \$ 2,484,000 | \$ 2,323,000 |
| 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% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | 74.02% | 70.04% | 69.46% | 70.99% | 72.56% |

The amounts presented for each fiscal year were determined as of the year-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, 2020

| | Public Employer's Retirement Fund B Last 10 Fiscal Years | | | | | |
|--|---|-------------|-------------|--------------|--------------|--------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| District's proportion of the net pension liability | 0.005% | 0.005% | 0.005% | 0.007% | 0.007% | 0.007% |
| District's proportionate share of the net pension liability | \$ 543,000 | \$ 730,000 | \$ 982,000 | \$ 1,628,000 | \$ 1,872,000 | \$ 2,040,000 |
| District's covered payroll | \$ 502,000 | \$ 548,000 | \$ 597,000 | \$ 870,000 | \$ 926,000 | \$ 970,000 |
| 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% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | 79.43% | 73.89% | 71.87% | 70.85% | 70.05% |

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, 2020

State Teachers' Retirement Plan
 Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 256,068 | \$ 360,047 | \$ 522,944 | \$ 358,496 | \$ 378,199 | \$ 428,188 |
| 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> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,884,000 | \$ 3,356,000 | \$ 3,855,000 | \$ 2,484,000 | \$ 2,323,000 | \$ 2,504,000 |
| Contributions as a percentage of covered payroll | 8.88% | 10.73% | 13.57% | 14.43% | 16.28% | 17.1% * |

All years prior to 2015 are not available.

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

(Continued)

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

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-----------------|-----------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 64,510 | \$ 70,668 | \$ 120,548 | \$ 143,753 | \$ 175,287 | \$ 213,600 |
| 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> |
| Contribution deficiency (excess) | <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 |
| Contributions as a percentage of covered payroll | 11.77% | 11.84% | 13.86% | 15.52% | 18.07% | 19.72% |

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, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - 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.

C - 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.

D - Changes of Benefit Terms

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

E - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017 and 208 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>2019</u> | As of June 30, <u>2018</u> | As of June 30, <u>2017</u> | As of June 30, <u>2016</u> | As of June 30, <u>2015</u> |
| Consumer price inflation | 2.75% | 2.75% | 2.75% | 3.00% | 3.00% |
| Investment rate of return | 7.10 | 7.10 | 7.10 | 7.60 | 7.60 |
| Wage growth | 3.50 | 3.50 | 3.50 | 3.75 | 3.75 |

SUPPLEMENTARY INFORMATION

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2020

| | <u>Cafeteria Fund</u> | <u>Deferred Maintenance Fund</u> | <u>Capital Facilities Fund</u> | <u>Total</u> |
|--|---------------------------|--|--|-------------------|
| ASSETS | | | | |
| Cash and investments | | | | |
| Cash in County Treasury | \$ 8,728 | \$ 320,450 | \$ 24,625 | \$ 353,803 |
| Receivables | 7,922 | 224 | 20 | 8,166 |
| Due from other funds | 1,926 | 11,168 | - | 13,094 |
| Stores inventory | 4,199 | - | - | 4,199 |
| Prepaid expenditures | 3,386 | - | - | 3,386 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 26,161</u> | <u>\$ 331,842</u> | <u>\$ 24,645</u> | <u>\$ 382,648</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 39 | \$ 9,214 | \$ - | \$ 9,253 |
| Fund balances: | | | | |
| Nonspendable | 7,585 | - | - | 7,585 |
| Restricted | 18,537 | 322,628 | 24,645 | 365,810 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>26,122</u> | <u>322,628</u> | <u>24,645</u> | <u>373,395</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 26,161</u> | <u>\$ 331,842</u> | <u>\$ 24,645</u> | <u>\$ 382,648</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, 2020

| | <u>Cafeteria Fund</u> | <u>Deferred Maintenance Fund</u> | <u>Capital Facilities Fund</u> | <u>Total</u> |
|---|---------------------------|--|--|-------------------|
| Revenues: | | | | |
| Federal sources | \$ 64,175 | \$ - | \$ - | \$ 64,175 |
| Other state sources | 11,892 | - | - | 11,892 |
| Other local sources | <u>69,803</u> | <u>5,152</u> | <u>33,180</u> | <u>108,135</u> |
| Total revenues | <u>145,870</u> | <u>5,152</u> | <u>33,180</u> | <u>184,202</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Classified salaries | 57,956 | - | - | 57,956 |
| Employee benefits | 22,396 | - | - | 22,396 |
| Books and supplies | 67,195 | - | - | 67,195 |
| Contract services and operating expenditures | <u>8,253</u> | <u>84,589</u> | <u>17,240</u> | <u>110,082</u> |
| Total expenditures | <u>155,800</u> | <u>84,589</u> | <u>17,240</u> | <u>257,629</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(9,930)</u> | <u>(79,437)</u> | <u>15,940</u> | <u>(73,427)</u> |
| Other financing sources: | | | | |
| Transfers in | <u>1,926</u> | <u>50,000</u> | <u>-</u> | <u>51,926</u> |
| Net change in fund balances | <u>(8,004)</u> | <u>(29,437)</u> | <u>15,940</u> | <u>(21,501)</u> |
| Fund balances, July 1, 2019 | <u>34,126</u> | <u>352,065</u> | <u>8,705</u> | <u>394,896</u> |
| Fund balances, June 30, 2020 | <u>\$ 26,122</u> | <u>\$ 322,628</u> | <u>\$ 24,645</u> | <u>\$ 373,395</u> |

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
June 30, 2020

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.

BOARD OF TRUSTEES

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|----------------|---------------|---------------------|
| Laura Newby | President | December 2020 |
| Sarah Gillmore | Clerk | December 2022 |
| Alex Rensing | Trustee | December 2022 |
| Steve Peck | Trustee | December 2020 |
| Sam Moore | Trustee | December 2020 |

ADMINISTRATION

Denny Rush
Superintendent

Raenel Toste
Chief Business Official

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2020

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|---|-------------------------------------|--------------------------|
| District | | |
| Certificate Number | 74AE9279 | 27439C70 |
| Elementary: | | |
| Transitional Kindergarten through Third | 77 | 77 |
| Fourth through Sixth | 54 | 54 |
| Seventh and Eighth | 47 | 47 |
| Totals | 178 | 178 |
| Newcastle Charter School - Classroom-Based | | |
| Certificate Number | EE8786CD | BC365E9E |
| Elementary: | | |
| Transitional Kindergarten through Third | 118 | 118 |
| Fourth through Sixth | 108 | 108 |
| Seventh and Eighth | 48 | 48 |
| Totals | 274 | 274 |

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2020

| <u>Grade Level</u> | <u>Statutory Minutes Require- ment</u> | <u>2019-2020 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|--|--|---|--|---------------|
| District: | | | | |
| Kindergarten | 36,000 | 43,860 | 180 | In Compliance |
| Grade 1 | 50,400 | 54,900 | 180 | In Compliance |
| Grade 2 | 50,400 | 54,900 | 180 | In Compliance |
| Grade 3 | 50,400 | 54,900 | 180 | In Compliance |
| Grade 4 | 54,000 | 55,800 | 180 | In Compliance |
| Grade 5 | 54,000 | 55,800 | 180 | In Compliance |
| Grade 6 | 54,000 | 56,905 | 180 | In Compliance |
| Grade 7 | 54,000 | 56,905 | 180 | In Compliance |
| Grade 8 | 54,000 | 56,905 | 180 | In Compliance |
| Newcastle Charter School - Classroom-Based: | | | | |
| Kindergarten | 36,000 | 43,860 | 180 | In Compliance |
| Grade 1 | 50,400 | 54,900 | 180 | In Compliance |
| Grade 2 | 50,400 | 54,900 | 180 | In Compliance |
| Grade 3 | 50,400 | 54,900 | 180 | In Compliance |
| Grade 4 | 54,000 | 55,800 | 180 | In Compliance |
| Grade 5 | 54,000 | 55,800 | 180 | In Compliance |
| Grade 6 | 54,000 | 56,905 | 180 | In Compliance |
| Grade 7 | 54,000 | 56,905 | 180 | In Compliance |
| Grade 8 | 54,000 | 56,905 | 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, 2020

There were no audit adjustments proposed to any 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, 2020
 (UNAUDITED)

| | (Budget) <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------------|---------------------|----------------------|----------------------|
| <u>General Fund</u> | | | | |
| Revenues and other financing sources | \$ 2,725,150 | \$ 4,049,697 | \$ 8,840,804 | \$ 8,451,916 |
| Expenditures | 3,554,672 | 3,807,987 | 4,156,360 | 4,503,881 |
| Other uses and transfers out | <u>50,000</u> | <u>51,926</u> | <u>4,835,000</u> | <u>2,220,899</u> |
| Total outgo | <u>3,604,672</u> | <u>3,859,913</u> | <u>8,991,360</u> | <u>6,724,780</u> |
| Change in fund balance | \$ <u>(879,522)</u> | \$ <u>189,784</u> | \$ <u>(150,556)</u> | \$ <u>1,727,136</u> |
| Ending fund balance | \$ <u>2,955,608</u> | \$ <u>3,835,130</u> | \$ <u>3,645,346</u> | \$ <u>3,795,902</u> |
| Available reserves | \$ <u>310,687</u> | \$ <u>317,541</u> | \$ <u>473,695</u> | \$ <u>361,857</u> |
| Designated for economic uncertainties | \$ <u>302,775</u> | \$ <u>317,541</u> | \$ <u>473,695</u> | \$ <u>361,857</u> |
| Undesignated fund balance | \$ <u>7,912</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| Available reserves as a percentages of total outgo | <u>8.62%</u> | <u>8.23%</u> | <u>5.27%</u> | <u>5.38%</u> |
| Total long-term liabilities | \$ <u>9,760,821</u> | \$ <u>9,925,231</u> | \$ <u>10,234,843</u> | \$ <u>12,573,561</u> |
| Average daily attendance at P-2, including charter school | <u>452</u> | <u>452</u> | <u>444</u> | <u>447</u> |

The General Fund fund balance has increased by \$1,766,364 over the past three fiscal years. The District projects a decrease of \$879,522 for the fiscal year ending June 30, 2021. 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, 2020, the District has met this requirement.

The District incurred operating surplus in two of the past three years, and anticipates incurring an operating deficit during the 2020-21 fiscal year.

Total long-term liabilities have decreased by \$2,648,330 over the past two years.

Average daily attendance has decreased by 5 over the past two years. No increase in ADA is budgeted for fiscal year 2020-21.

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2020

Charter Schools Chartered by Office of Education

Included in Office of Education
Financial Statements, or
Separate Report

0727 – Newcastle Charter School
1179 - Harvest Ridge Cooperative Charter
1528 - Rocklin Academy-Gateway
1102 - Creekside Charter School
1991 - Golden Valley

Included in District Financial Statements
Separate Report
Separate Report
Separate Report
Separate Report

See accompanying notes to supplementary information.

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206. The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on June 29, 2020.

C - 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.

D - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

E - 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, 2020, 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

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

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

(Continued)

| <u>Description</u> | <u>Procedures Performed</u> |
|--|-----------------------------|
| Charter Schools - Attendance | Yes |
| Charter Schools - Mode of Instruction | Yes |
| Charter Schools - Nonclassroom-Based Instruction/ Independent Study | No, see below |
| Charter Schools - Determination of Funding for Nonclassroom-Based instruction | No, see below |
| Charter Schools - Annual Instructional Minutes Classroom-Based | Yes |
| Charter Schools - Charter School Facility Grant Program | No, see below |

The District's reported ADA for Independent Study was deemed immaterial; therefore, we did not perform any testing of Independent Study ADA.

The District does not operate a Continuation Education Program; therefore, we did not perform any testing of Continuation Education ADA.

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 have any Juvenile Court Schools, therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

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.

There were no expenditures in the current year 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 receive After/Before School Education and Safety funding in the current year; therefore, we did not perform any procedures related to After/Before School Education and Safety 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.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for charter schools or Determination of Funding for Nonclassroom-Based Instruction, for charter schools because the District's charter schools are classroom based.

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Newcastle Elementary School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Newcastle Elementary School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Newcastle Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance with State Laws and Regulations

In our opinion, 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, 2020.

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
November 20, 2020

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

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, 2020, 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 November 20, 2020.

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 may exist that have not been identified.

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*.

(Continued)

Purpose of this Report

The purpose of this 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
November 20, 2020

FINDINGS AND RECOMMENDATIONS

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

STATE AWARDS

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

(Continued)

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

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, 2020

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

NEWCASTLE ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

No matters were reported.