



**EUREKA CITY SCHOOLS**

**COUNTY OF HUMBOLDT**  
**EUREKA, CALIFORNIA**

**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**JAMES MARTA & Co. LLP**

**701 HOWE AVENUE, E3**  
**SACRAMENTO, CA**

**(916) 993-9494**  
**(916) 993-9489 FAX**

**WWW.JPMCPCPA.COM**

# EUREKA CITY SCHOOLS

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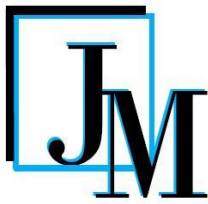
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**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Governing Board  
Eureka City Schools  
Eureka, 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 the Eureka City Schools (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express 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 Eureka City Schools, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

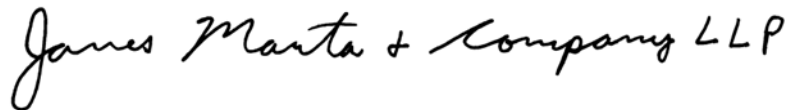
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by the August 2019 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 2, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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This section of Eureka City Schools' (the "District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Independent Auditor's Report and the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Change in Fund Balances provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- ⇒ Over the course of the year, net position increased by \$2,769,452.
- ⇒ Capital assets, net of depreciation, decreased by \$670,584. Accumulated depreciation increased by \$2,835,324.
- ⇒ Long-term liabilities have increased by \$1,046,275 with bonds payable decreasing by \$1,965,000, accreted interest payable increasing by \$1,491,265, Net OPEB liability decreasing by \$63,867, net pension liability increasing by \$1,607,045, and compensated absences decreasing by \$23,168.
- ⇒ During fiscal year 2018-19, average daily attendance (ADA) for P2 of the District (exclusive of Adult ADA) decreased by 79 ADA, or 2.27%.
- ⇒ CBED data shows enrollment in the District decreased from 3,738 to 3,643, representing a decline in enrollment of 95, or 2.54%.
- ⇒ The District maintains the required minimum reserves for economic uncertainty of 3% of combined General Fund and Special reserve expenditures, transfers out and other uses (total outgo). During FY 2018-19 General Fund and Special Reserve expenditures and other uses totaled \$47,794,663. At June 30, 2019, the District had available reserves designated for economic uncertainties of \$2,690,572, approximately 5.6% of General Fund and Special Reserve expenditures, transfers out and other uses.



**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- ⇒ Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- ⇒ Individual parts of the District, which are reported as fund financial statements, comprise the remaining statements.
  - Basic services funding is described in the governmental funds' statements. These statements include short-term financing and identify the balance remaining for future spending.
  - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

Notes to the basic financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. They are an integral part of the financial statements. The required supplementary information provides further explanations and provides additional support for the financial statements.

**Reporting the District as a Whole**

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

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

**EUREKA CITY SCHOOLS**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**Information included in the Statement of Net Position and the Statement of Activities, consists solely of the governmental activities of the District.**

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by state apportionments, property taxes, impact aid, and other state and federal aid. Non-basic services, such as child nutrition, are also included here, but are financed by a combination of state and federal contract and grants, and local revenues. After-school tutoring programs are offered through the After-School Education and Safety (ASES) program.

Reporting the District’s Most Significant Funds:

The District’s fund-based financial statements provide detailed information about the District’s most significant funds. Some funds are required to be established by State law, while other funds have been established to control and manage money for specific purposes.

Governmental Funds

The major governmental funds of Eureka City Schools are the General Fund, Building Fund and Bond Interest and Redemption Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District’s programs.

Fiduciary Funds

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District’s budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its annual operating budget at various times to reflect the most recent financial information available. The most significant budget adjustments made during the year fall into the following categories:

- ⇒ Budget revisions to the adopted budget required after approval of the State budget.
- ⇒ Budget revisions to adjust program revenues and expenditures to final awards.
- ⇒ Budget revisions to reflect changes in staffing and hiring

**EUREKA CITY SCHOOLS**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE**

- ⇒ The District has continued a pattern of deficit spending over the past several years. As a result, reserves have been used to fund ongoing initiatives and expenditures, causing the level of reserves to decrease. The overall impact of implementation of the Local Control Funding Formula (LCFF), the new distribution mechanism for state revenues, along with the creation of Supplemental and Concentration grants, has yet to be fully determined. The District submitted its fifth Local Control Accountability Plan (LCAP) along with the 2018/19 budget.
- ⇒ Over the past several years the District has experienced a general enrollment decline, which negatively impacts overall funding levels.
- ⇒ Rising costs for special education, health benefits, step and column movement, STRS and PERS contributions, increases in the minimum wage, facilities maintenance and upgrades, utilities, and increased pressure for intervention programs have reduced funding for other areas.
- ⇒ The “No Child Left Behind Act” and the “Affordable Care Act”, as well as many other required reporting regulations, have placed an increased burden on the District staff.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Paul Ziegler, Assistant Superintendent Business Services, Eureka City Schools, 2100 J Street, Eureka, CA 95503.

**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**TABLE 04-01**

**Financial Analysis of the School District as a Whole**

**Comparative Statement of Net Position**

	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
<b><u>Assets</u></b>			
Cash	\$ 24,167,040	\$ 24,807,193	\$ (640,153)
Receivables	2,960,396	2,664,263	296,133
Stores Inventory	43,301	57,847	(14,546)
Capital Assets, Net	67,495,166	68,165,750	(670,584)
Total Assets	<u>94,665,903</u>	<u>95,695,053</u>	<u>(1,029,150)</u>
<b><u>Deferred Outflows</u></b>	<u>21,322,590</u>	<u>16,854,995</u>	<u>4,467,595</u>
<b><u>Liabilities</u></b>			
Other Liabilities	1,599,497	1,728,274	(128,777)
Long-term Debt Outstanding	117,568,750	116,522,475	1,046,275
Total Liabilities	<u>119,168,247</u>	<u>118,250,749</u>	<u>917,498</u>
<b><u>Deferred Inflows</u></b>	<u>6,401,225</u>	<u>6,649,730</u>	<u>(248,505)</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets			
- Net of Related Debt	16,550,390	18,125,728	(1,575,338)
Restricted	18,671,482	19,955,694	(1,284,212)
Unrestricted	(44,802,851)	(50,431,853)	5,629,002
Total Net Position	<u>\$ (9,580,979)</u>	<u>\$ (12,350,431)</u>	<u>\$ 2,769,452</u>

**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**TABLE 04-02**

**Financial Analysis of the School District as a Whole**

**Comparative Statement of Activities**

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Program Revenues:			
Charges for Services	\$ 541,746	\$ 354,196	\$ 187,550
Operating Grants and Contributions	13,188,644	11,143,402	2,045,242
Capital Grants and Contributions	25	366,139	(366,114)
Total Program Revenues	<u>13,730,415</u>	<u>11,863,737</u>	<u>1,866,678</u>
General Revenues:			
Taxes Levied	18,868,167	18,802,675	65,492
Federal and State Aid	22,027,541	20,095,588	1,931,953
Interest and Investment Earnings	423,664	410,541	13,123
Interagency	87,220	64,335	22,885
Miscellaneous	660,852	859,178	(198,326)
Total General Revenues	<u>42,067,444</u>	<u>40,232,317</u>	<u>1,835,127</u>
Program Expenses:			
Instruction	23,204,209	26,069,319	(2,865,110)
Instruction-Related Services	6,060,760	5,319,856	740,904
Pupil Services	7,648,663	8,066,377	(417,714)
General Administration	3,090,102	2,875,294	214,808
Community Services	681,031	690,114	(9,083)
Plant Services	5,030,782	5,928,306	(897,524)
Ancillary Services	616,754	795,185	(178,431)
Interest on Long-Term Liabilities	1,602,838	2,516,434	(913,596)
Other Outgo	5,093,268	2,499,082	2,594,186
Total Expenses	<u>53,028,407</u>	<u>54,759,967</u>	<u>(1,731,560)</u>
Change in Net Position	<u>\$ 2,769,452</u>	<u>\$ (2,663,913)</u>	<u>\$ 5,433,365</u>

**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**TABLE 04-03**

**Summary of Expenses for Governmental Functions**

	<b>2019</b>	<b>Percentage of Total</b>
<u>Expenses</u>		
Instruction	\$ 23,204,209	43.76%
Instruction-Related Services	6,060,760	11.43%
Pupil Services	7,648,663	14.42%
General Administration	3,090,102	5.83%
Community Services	681,031	1.28%
Plant Services	5,030,782	9.49%
Ancillary Services	616,754	1.16%
Interest on Long-Term Liabilities	1,602,838	3.02%
Other Outgo	5,093,268	9.60%
Total Expenses	<u>\$ 53,028,407</u>	<u>100.00%</u>

**TABLE 04-04**

**Comparative Statement of Capital Assets**

	<b>2019</b>	<b>2018</b>
Land	\$ 719,187	\$ 719,187
Improvement of Sites	12,724,323	9,203,484
Buildings and Improvements	99,602,738	102,528,058
Furniture and Equipment	4,917,261	4,654,673
Work-in-Progress	1,862,473	555,840
Subtotals	<u>119,825,982</u>	<u>117,661,242</u>
Less: Accumulated Depreciation	<u>(52,330,816)</u>	<u>(49,495,492)</u>
Capital Assets, net	<u>\$ 67,495,166</u>	<u>\$ 68,165,750</u>

**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**TABLE 04-05**

**Comparative Statement of Outstanding Long-Term Liabilities**

	<u>2019</u>	<u>2018</u>
Bonds Payable	\$ 50,349,932	\$ 52,314,932
Accreted Interest	14,809,332	13,318,067
Net OPEB Liability	10,990,512	11,054,379
Net Pension Liability	41,236,115	39,629,070
Compensated Absences	182,859	206,027
Totals	<u>\$ 117,568,750</u>	<u>\$ 116,522,475</u>

**TABLE 04-06**

**Summary of Revenues for Governmental Functions**

	<u>2019</u>	<u>Percentage of Total</u>
Program Revenues:		
Charges for Services	\$ 541,746	0.97%
Operating Grants and Contributions	13,188,644	23.64%
Capital Grants and Contributions	25	0.00%
General Revenues:		
Taxes Levied	18,868,167	33.82%
Federal and State Aid	22,027,541	39.48%
Interest and Investment Earnings	423,664	0.76%
Interagency	87,220	0.16%
Miscellaneous	660,852	1.18%
Total Revenues	<u>\$ 55,797,859</u>	<u>100.00%</u>

**EUREKA CITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**TABLE 04-07**

**Comparative Statement of Fund Balances**

	<u>Fund Balance</u> <u>June 30, 2019</u>	<u>Fund Balance</u> <u>June 30, 2018</u>	<u>Increase/</u> <u>(Decrease)</u>
General	\$ 7,432,505	\$ 6,352,995	\$ 1,079,510
Building	14,174,960	15,623,691	(1,448,731)
Bond Interest and Redemption	2,882,949	2,933,064	(50,115)
Cafeteria	325,000	312,231	12,769
Child Development	11,945	13,060	(1,115)
Deferred Maintenance	2,077	2,043	34
Adult Education	67,445	34,908	32,537
Capital Facilities	82,910	81,504	1,406
Special Reserve for Capital Outlay Projects	650,371	639,338	11,033
County School Facilities	1,574	1,549	25
Self-Insurance Vision and Dental	900,185	794,312	105,873
Total	<u>\$ 26,531,921</u>	<u>\$ 26,788,695</u>	<u>\$ (256,774)</u>



## **FINANCIAL SECTION**

**EUREKA CITY SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<b>Governmental Activities</b>
<hr/>	
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 24,167,040
Receivables	2,960,396
Stores Inventory	43,301
Non-depreciable capital assets (Note 4)	2,581,660
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>64,913,506</u>
Total Assets	<u>94,665,903</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows on OPEB (note 7)	947,214
Deferred outflows on pensions (note 6)	20,343,461
Loss on refunded debt	<u>31,915</u>
Total Deferred Outflows	<u>21,322,590</u>
 <b>LIABILITIES</b>	
Accounts payable	1,546,985
Unearned revenue	52,512
Long-term liabilities (Note 5)	
Due within one year	2,125,000
Due after one year	<u>115,443,750</u>
Total Liabilities	<u>119,168,247</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred bond premium revenue	745,093
Deferred inflows on OPEB (note 7)	175,882
Deferred inflows on pensions (note 6)	<u>5,480,250</u>
Total Deferred Inflows	<u>6,401,225</u>
 <b>NET POSITION</b>	
Net investment in capital assets	16,550,390
Restricted (Note 8)	18,671,482
Unrestricted	<u>(44,802,851)</u>
Total Net Position	<u>\$ (9,580,979)</u>

**EUREKA CITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 23,204,209	\$ 105,493	\$ 5,614,542	\$ 25	\$ (17,484,149)
Instruction - related services:					
Supervision of instruction	2,817,190	37,012	2,082,796	-	(697,382)
Instructional library, media and technology	413,048	-	35,384	-	(377,664)
School site administration	2,830,522	3,972	334,639	-	(2,491,911)
Pupil Services:					
Home-to-school transportation	898,486	-	30,290	-	(868,196)
Food services	2,372,943	236,326	2,051,482	-	(85,135)
All other pupil services	4,377,234	112,593	1,263,923	-	(3,000,718)
General administration:					
Data processing	217,386	-	-	-	(217,386)
All other general administration	2,872,716	25,733	500,626	-	(2,346,357)
Plant services	5,030,782	5,544	268,959	-	(4,756,279)
Ancillary services	616,754	-	16,170	-	(600,584)
Community services	681,031	-	596,330	-	(84,701)
Interest on long-term liabilities	1,602,838	-	-	-	(1,602,838)
Other outgo	5,093,268	15,073	393,503	-	(4,684,692)
Total governmental activities	<u>\$ 53,028,407</u>	<u>\$ 541,746</u>	<u>\$ 13,188,644</u>	<u>\$ 25</u>	<u>(39,297,992)</u>
General Revenues:					
Taxes and subventions:					
Taxes levied for general purposes					15,539,703
Taxes levied for debt service					3,328,464
Federal and state aid not restricted to specific purposes					22,027,541
Interest and investment earnings					423,664
Interagency revenues					87,220
Miscellaneous					660,852
Total general revenues					<u>42,067,444</u>
Change in net position					2,769,452
Net Position - July 1, 2018					<u>(12,350,431)</u>
Net position - June 30, 2019					<u>\$ (9,580,979)</u>

# EUREKA CITY SCHOOLS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

**JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Totals</b>
<b>ASSETS</b>					
Cash and investments	\$ 5,438,103	\$ 14,214,488	\$ 2,882,949	\$ 734,715	\$ 23,270,255
Receivables	2,389,018	65,918	-	502,060	2,956,996
Stores Inventory	28,008	-	-	15,293	43,301
Due from other funds	80,285	-	-	-	80,285
Total assets	<u>\$ 7,935,414</u>	<u>\$ 14,280,406</u>	<u>\$ 2,882,949</u>	<u>\$ 1,252,068</u>	<u>\$ 26,350,837</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 468,706	\$ 105,446	\$ -	\$ 12,152	\$ 586,304
Due to other funds	-	-	-	80,285	80,285
Unearned revenue	34,203	-	-	18,309.00	52,512
Total liabilities	<u>502,909</u>	<u>105,446</u>	<u>-</u>	<u>110,746</u>	<u>719,101</u>
Fund balances					
Nonspendable	33,443	-	-	16,433	49,876
Restricted	1,157,880	14,174,960	2,882,949	455,693	18,671,482
Assigned	3,550,610	-	-	669,196	4,219,806
Unassigned	2,690,572	-	-	-	2,690,572
Total fund balances	<u>7,432,505</u>	<u>14,174,960</u>	<u>2,882,949</u>	<u>1,141,322</u>	<u>25,631,736</u>
Total liabilities and fund balances	<u>\$ 7,935,414</u>	<u>\$ 14,280,406</u>	<u>\$ 2,882,949</u>	<u>\$ 1,252,068</u>	<u>\$ 26,350,837</u>

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

## EUREKA CITY SCHOOLS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Total fund balances - governmental funds		\$	25,631,736
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$119,825,982 and the accumulated depreciation is \$52,330,816 (Note 4).			
			67,495,166
Unmatured interest on long-term debt is recognized as paid in governmental funds, but recognized as accrued in government-wide financial statements.			
			(960,681)
Unamortized costs: In governmental funds, debt issuance premiums, gain or loss on refunding, and defeasance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, these amounts are amortized over the remaining life of the old debt or the life of the new debt, which ever is shorter. Unamortized premiums and loss on refunding consist of:			
Unamortized portion of bond premiums			(745,093)
Unamortized portion of loss on refunding			31,915
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, 2018 consisted on (Note 5):			
General obligation bonds payable	\$	50,349,932	
Net pension liability (note 6)		41,236,115	
Accreted interest		14,809,332	
Net OPEB liability (note 7)		10,990,512	
Compensated absences payable		<u>182,859</u>	
			(117,568,750)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported.			
Deferred outflows of resources relating to pensions			20,343,461
Deferred inflows of resources relating to pensions			(5,480,250)
Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.			
Deferred outflows of resources relating to OPEB			947,214
Deferred inflows of resources relating to OPEB			(175,882)
Internal service funds are reported with governmental activities in the statement of net position as they are presumed to operate for the benefit of governmental activities.			
			<u>900,185</u>
Total net position, governmental activities		\$	<u>(9,580,979)</u>

**EUREKA CITY SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>REVENUES</b>					
LCFF sources	\$ 36,200,563	\$ -	\$ -	\$ -	\$ 36,200,563
Federal revenue	4,543,166	-	-	1,973,225	6,516,391
Other state revenues	5,553,924	2,051	-	979,682	6,535,657
Other local revenues	2,576,520	251,617	3,359,710	363,770	6,551,617
Total revenues	<u>48,874,173</u>	<u>253,668</u>	<u>3,359,710</u>	<u>3,316,677</u>	<u>55,804,228</u>
<b>EXPENDITURES</b>					
Certificated salaries	16,154,277	-	-	322,874	16,477,151
Classified salaries	7,102,432	38,455	-	959,251	8,100,138
Employee benefits	13,824,312	11,628	-	901,918	14,737,858
Books and supplies	1,976,543	914	-	910,944	2,888,401
Contract services and operating expenditures	5,471,420	7,229	-	121,967	5,600,616
Capital outlay	539,213	1,644,173	-	-	2,183,386
Other outgo	2,613,366	-	-	156,134	2,769,500
Debt Service:					
Principal Retirement	-	-	2,762,325	-	2,762,325
Interest	-	-	647,500	-	647,500
Total expenditures	<u>47,681,563</u>	<u>1,702,399</u>	<u>3,409,825</u>	<u>3,373,088</u>	<u>56,166,875</u>
(Deficiency) excess of revenues (under over expenditures	<u>1,192,610</u>	<u>(1,448,731)</u>	<u>(50,115)</u>	<u>(56,411)</u>	<u>(362,647)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	113,100	113,100
Operating transfers out	(113,100)	-	-	-	(113,100)
Total other financing sources (uses)	<u>(113,100)</u>	<u>-</u>	<u>-</u>	<u>113,100</u>	<u>-</u>
Net change in fund balances	1,079,510	(1,448,731)	(50,115)	56,689	(362,647)
Fund balances, July 1, 2018	<u>6,352,995</u>	<u>15,623,691</u>	<u>2,933,064</u>	<u>1,084,633</u>	<u>25,994,383</u>
Fund balances, June 30, 2019	<u>\$ 7,432,505</u>	<u>\$ 14,174,960</u>	<u>\$ 2,882,949</u>	<u>\$ 1,141,322</u>	<u>\$ 25,631,736</u>

# EUREKA CITY SCHOOLS

## RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Total net change in fund balances - governmental funds	\$ (362,647)
Amounts reported governmental activities in the statement of activities are different because:	
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is as follows and can be found on (Note 4):	
Expenditures for capital outlay:	\$ 2,182,485
Depreciation expense:	(2,853,069)
	(670,584)
Debt service: In governmental funds, repayment of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: (Note 5).	
	1,965,000
Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	
	(3,328,527)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	
	238,731
Accreted interest on capital appreciation bonds is recognized in the period it is incurred, in the governmental funds it is only recognized when it is due (Note 5).	
	(1,491,265)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In the governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Sources or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:	
	5,343
Pensions: 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:	
	6,496,106
Internal Service Funds: Internal services funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal services activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	
	(105,873)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	
	23,168
Change in net position of governmental activities	<u>\$ 2,769,452</u>

**EUREKA CITY SCHOOLS**  
**PROPRIETARY FUND - STATEMENT OF NET POSITION**  
**SELF-INSURANCE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**ASSETS**

Current Assets

Cash in County Treasury	\$	799,879
Cash with Fiscal Agent		96,906
Receivables		<u>3,400</u>
Total Current Assets		<u>900,185</u>

**NET POSITION**

Unrestricted		<u>900,185</u>
Net Position	\$	<u><u>900,185</u></u>



**EUREKA CITY SCHOOLS**

**PROPRIETARY FUND – STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**SELF-INSURANCE FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**OPERATING REVENUES**

Self-insurance premiums	\$	827,526
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**OPERATING EXPENSES**

Contract services		731,293
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<b>Operating Income</b>		96,233
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**NON-OPERATING REVENUES**

Interest Income		9,640
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<b>Change in Net Position</b>		105,873
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<b>Net Position - Beginning</b>		794,312
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<b>Net Position - Ending</b>	<b>\$</b>	<b>900,185</b>
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**EUREKA CITY SCHOOLS**  
**PROPRIETARY FUND – STATEMENT OF CASH FLOWS**  
**SELF-INSURANCE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash receipts from self-insurance premiums	\$ 826,582
Cash payments for contract services	<u>(731,293)</u>
Net Cash Provided by Operating Activities	95,289

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income received	<u>9,640</u>
Net Increase in Cash and Cash Equivalents	104,929

Cash and Cash Equivalents - Beginning	<u>791,856</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 896,785</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 96,233
Adjustments to reconcile net income to net cash	
Provided by operations:	
(Increase)/Decrease in:	
Receivables	(944)

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 95,289</u></u>
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**EUREKA CITY SCHOOLS**  
**FIDUCIARY FUND – STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	<u>\$ 512,806</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 512,806</u>

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Eureka City Schools (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 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.

**BASIS OF PRESENTATION**

The basic financial statements include a Management's 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.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary 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.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds or account groups, 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 equity, revenues, and expenditures or expenses, as appropriate. 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.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District funds are as follows:

**Major Governmental Funds:**

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year-end balances of the Special Reserve for Other than Capital Outlay Projects / and Special Reserve for Postemployment Benefits Funds are combined with the General Fund.

The **Building Fund** is used primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

The **Bond Interest and Redemption Fund** is used for the repayment of bonds issued for a district (Education Code Sections 15125-15262).

**Non-Major Governmental Funds:**

The **Special Revenue funds** are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

The **Adult Education Fund** is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

The **Cafeteria Fund** is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

The **Child Development Fund** is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

The **Deferred Maintenance Fund** is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds (Continued):**

The **Capital Project Funds** are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The **Capital Facilities Fund** is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

The **County School Facilities Fund** is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

The **Special Reserve for Capital Outlay Projects Fund** is used to account for resources used for the acquisition or construction of major capital facilities by the District.

**Proprietary fund** reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has only one following proprietary fund:

**Internal Service Funds** may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance fund that is accounted for in an internal service fund.

**Fiduciary Funds** are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category includes Trust and agency funds.

**Agency funds** are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include Associate Student Body that accounts for student body activities (ASB). The District uses agency funds for student body funds to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body. These funds' activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

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

Accrual

Governmental activities in the government-wide financial statements and the proprietary 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 within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

**BUDGETS AND BUDGETARY ACCOUNTING**

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

During the year, budget revisions by the District's governing board and district superintendent give consideration to unanticipated revenue and expenditures. The final revised budgets are presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The budgets are revised during the year by the District's Board of Trustees and District Superintendent to provide for unanticipated revenues and expenditures.

**RECEIVABLES**

Receivables consist of amounts due from the federal and state governments related to federal and state programs. The District has not established an allowance for doubtful accounts, due to the nature of these accounts. However, management continually monitors the accounts for collectability. The District does not charge interest on past due accounts.



## **EUREKA CITY SCHOOLS**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

#### **FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **STORES INVENTORY**

Inventory in the General and Cafeteria Funds consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools and offices.

##### **CAFETERIA FOOD PURCHASES**

The Cafeteria Fund statement of revenues and expenditures reflects supplies expense and included in this amount is a handling charge for the delivery of government surplus food commodities. The State does not require the Cafeteria Account to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

##### **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 fair market value as of the date received. 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 2 - 50 years depending on asset types.

##### **COMPENSATED ABSENCES**

###### Compensated Absences

Compensated absence benefits are recorded as a liability of the District. The liability of \$182,859 is for the earned but unused benefits.

###### Accumulated Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

##### **DEFERRED INFLOWS AND OUTFLOWS 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.

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.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**UNEARNED REVENUE**

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

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

**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 unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions on special revenues and capital projects represent the portion of net position for the special revenue and capital projects funds. The restriction for debt service represents the amount to be used for the repayment of long-term liabilities. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are primarily interfund insurance premiums. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**EXPENSES/EXPENDITURES**

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

**CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**INVESTMENTS**

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**PREPAID EXPENDITURES**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

**INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

**LONG-TERM OBLIGATIONS**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BOND PREMIUMS AND DISCOUNTS**

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

**PROPERTY TAX**

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Humboldt bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**INTERFUND ACTIVITY**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

**NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## EUREKA CITY SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### FUND BALANCE

Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Code Section 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. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g. inventories and prepaids) or that are legally or contractually required to be maintained intact. The District has classified its revolving cash account as being Nonspendable as it is required to be maintained intact.
- Restricted: This classification includes amounts constrained to specific purposes by their providers or by law. The District has classified federal and state categorical programs as being restricted because their use is restricted by Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants.
- Committed: This classification includes amounts constrained to specific sources by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.
- Assigned: This classification includes amounts which the Board or its designee intends to use for a specific purpose but are neither restricted nor committed. The Board delegates authority to assign funds to the assigned fund balance to the Superintendent or designee and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Agency has assigned funds for Other Capital Projects that are to be used for the repair and replacement of equipment.
- Unassigned: This classification includes the residual fund balance for the General Fund and includes the amount designated for economic uncertainties. To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board maintains a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to at least one month of average general fund expenditures or 8% of general fund expenditures and other financing uses. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance as appropriate, then from committed fund balance, then from the Assigned fund balance, and lastly from the Unassigned fund balance.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ESTIMATES**

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

**ENCUMBRANCES**

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

**ELIMINATIONS AND RECLASSIFICATIONS**

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

**PENSIONS**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## EUREKA CITY SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

## 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2019 consisted of the following:

	Governmental Funds	Proprietary Activities	Governmental Activities Total	Fiduciary Activities	Total
Cash in County Treasury	\$ 23,263,680	\$ 799,879	\$ 24,063,559	\$ 193,173	\$ 24,256,732
Cash on hand and in banks	-	-	-	319,633	319,633
Cash in revolving fund	6,575	-	6,575	-	6,575
Cash with fiscal agent	-	96,906	96,906	-	96,906
	<u>\$ 23,270,255</u>	<u>\$ 896,785</u>	<u>\$ 24,167,040</u>	<u>\$ 512,806</u>	<u>\$ 24,679,846</u>

### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

### Cash in Bank and Revolving Funds

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

### Cash with Fiscal Agent

Cash with Fiscal Agent represents funds held by third parties for the payment of dental and vision claims through the internal service fund.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**2. CASH AND INVESTMENTS (Continued)**

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Humboldt County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the Humboldt County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 511 days. The pool is rated AAA by Standard and Poor's.

**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, 2019, the carrying amount of the District's bank balance was \$319,633, all of which was insured.

**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, 2019, 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 anyone issuer. At June 30, 2019, the District had no concentration of credit risk.



## EUREKA CITY SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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### 3. INTERFUND TRANSACTIONS

Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the General Fund, respectively.

The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds. The District had no due to or due from balances as of June 30, 2019.

#### Interfund Receivables/Payables

As of June 30, 2019, the interfund receivable and payable balances were as follows:

	Interfund Receivables	Interfund Payables
Major Fund		
General Fund	\$ 80,285	\$ -
Nonmajor Fund		
Child Development Fund	-	22,128
Adult Education Fund	-	11,962
Cafeteria Fund	-	46,195
Total	<u>\$ 80,285</u>	<u>\$ 80,285</u>

#### Interfund Transfers

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

Interfund transfers for the 2018-19 fiscal year were as follows:

Transfer from General Fund to Child Development Fund for operating expenses.	\$ 38,115
Transfer from General Fund to Cafeteria Fund for operating expenses.	<u>74,985</u>
Total Transfers	<u>\$ 113,100</u>

# EUREKA CITY SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is shown below:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Non-depreciable:					
Land	\$ 719,187	\$ -	\$ -	\$ -	\$ 719,187
Work-in-Process	555,840	1,306,633	-	-	1,862,473
Depreciable:					
Buildings	102,528,058	103,126	-	(3,028,446)	99,602,738
Improvement of sites	9,203,484	492,393	-	3,028,446	12,724,323
Equipment	4,654,673	280,333	17,745	-	4,917,261
Totals, at cost	<u>117,661,242</u>	<u>2,182,485</u>	<u>17,745</u>	<u>-</u>	<u>119,825,982</u>
Less accumulated depreciation:					
Buildings	(38,313,580)	(2,259,865)	-	(3,055,433)	(43,628,878)
Improvement of sites	(7,558,607)	(331,845)	-	3,055,433	(4,835,019)
Equipment	(3,623,305)	(261,359)	(17,745)	-	(3,866,919)
Total accumulated depreciation	<u>(49,495,492)</u>	<u>(2,853,069)</u>	<u>(17,745)</u>	<u>-</u>	<u>(52,330,816)</u>
Governmental activities capital assets, net	<u>\$ 68,165,750</u>	<u>\$ (670,584)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,495,166</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2019 as follows:

Instruction	\$ 2,038,411
Instructional Library, Media and Technology	70,821
School Site Administration	144,546
Home-to-School Transportation	81,382
Food Services	152,521
Ancillary Services	268,742
All Other General Administration	53,612
Centralized Data Processing	1,245
Plant Services	41,789
Total Depreciation	<u>\$ 2,853,069</u>

# EUREKA CITY SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 5. LONG-TERM LIABILITIES

##### Summary

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund. Payments for compensated absences, pensions and OPEB are paid for by the funds for which the employees worked.

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Amounts Due Within One Year
General Obligation Bonds	\$ 52,314,932	\$ -	\$ 1,965,000	\$ 50,349,932	\$ 2,125,000
Accreted Interest	13,318,067	1,491,265	-	14,809,332	-
Net Pension Liability (note 6)	39,629,070	1,607,045	-	41,236,115	-
Net OPEB Liability (note 7)	11,054,379	-	63,867	10,990,512	-
Compensated Absences	206,027	-	23,168	182,859	-
Total	<u>\$ 116,522,475</u>	<u>\$ 3,098,310</u>	<u>\$ 2,052,035</u>	<u>\$ 117,568,750</u>	<u>\$ 2,125,000</u>

##### General Obligation Bonds

At an election held on March 5, 2002, the District received authorization through Measures S and T to issue \$43,160,000 in bonds. The bonds are general obligations of the District, and Humboldt County is obligated to annually levy ad valorem taxes for the payment of the interest and the principal of the bonds. Bond proceeds will be used to repair schools, and to modernize and renovate the District's facilities.

On August 21, 2002, the District issued \$21,602,605 of Measure S, Series 2002 bonds. The interest rate ranges from 3.00% to 5.72%. The final maturity date is August 1, 2027.

On August 21, 2002, the District issued \$6,496,987 of Measure T, Series 2002 bonds. The interest rate ranges from 2.00% to 10.00%. The final maturity date is August 1, 2027.

On December 8, 2005, the District issued \$10,912,384 of Measure S, Series 2005 bonds. The interest rate ranges from 3.50% to 6.00%. The final maturity date is August 1, 2043.

On December 8, 2005, the District issued \$4,087,956 of Measure T, Series 2005 bonds. The interest rate ranges from 3.00% to 6.00%. The final maturity date is August 1, 2036.

In August 2012, the District issued at par \$18,090,000 of 2012 General Obligation Refunding Bonds, Series 2012 for the purpose of refunding a portion of the District's outstanding Election of 2002 General Obligation Bonds, Measure S, Series 2002. The 2012 General Obligation Refunding Bonds bear interest an interest rate of 3.2% and will be repaid in level principal amounts, with the final payment due August 1, 2025.

## EUREKA CITY SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 5. LONG-TERM LIABILITIES (Continued)

##### General Obligation Bonds (Continued)

##### Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid was \$1,780,220.

In August 2012, the District issued at par \$5,130,000 of 2012 General Obligation Refunding Bonds, Series 2012 for the purpose of refunding a portion of the District's outstanding Election of 2002 General Obligation Bonds, Measure T, Series 2002. The 2012 General Obligation Refunding Bonds bear interest at an interest rate of 3.1 % and will be repaid in level principal amounts, with the final payment due August 1, 2024.

##### Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid was \$324,510.

Although the advance refundings resulted in the recognition of an accounting loss of \$170,706 for the year ended June 30, 2013, the District in effect reduced its aggregate debt service payments by \$2.7 million over the next 11 years and obtained an economic gain of \$2.1 million.

In August 2015, the District issued "Measure S" General Obligation Bonds, Election of 2014, Series 2015, in the aggregate principal amount of \$25,000,000, to provide funds to finance improvements to facilities and educational technology in the District's facilities. Proceeds of the Bonds will also be used to pay costs of issuance of the Bonds. The Bonds are the first series issued pursuant to the authorization by District voters on November 4, 2014, to issue up to \$49,750,000 principal amount of bonds. The Measure S General Obligation Bonds bear interest at an interest rate in the range of 2% to 5% and will be repaid in level principal amounts, with the final payment due August 1, 2045.

The annual payments required to amortize the Measure S, Series 2002 bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	597,605	1,842,395	2,440,000
	<u>\$ 597,605</u>	<u>\$ 1,842,395</u>	<u>\$ 2,440,000</u>

**EUREKA CITY SCHOOLS****NOTES TO BASIC FINANCIAL STATEMENTS****FOR THE FISCAL YEAR ENDED JUNE 30, 2019****5. LONG-TERM LIABILITIES (Continued)**General Obligation Bonds (Continued)

The annual payments required to amortize the Measure T, Series 2002 bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	<u>146,987</u>	<u>1,383,013</u>	<u>1,530,000</u>
	<u>\$ 146,987</u>	<u>\$1,383,013</u>	<u>\$1,530,000</u>

The annual payments required to amortize the Measure S, Series 2005 bonds outstanding as of June 30, 2019, are as follows

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 30,000	\$ 3,300	\$ 33,300
2021	30,000	2,006	32,006
2022	20,000	900	20,900
2023	10,000	225	10,225
2024	-	-	-
2025-2029	1,619,865	3,200,135	4,820,000
2030-2034	3,572,811	9,867,189	13,440,000
2035-2039	3,090,498	12,294,503	15,385,001
2040-2044	<u>1,929,210</u>	<u>12,965,813</u>	<u>14,895,023</u>
	<u>\$10,302,384</u>	<u>\$ 38,334,071</u>	<u>\$48,636,455</u>

**EUREKA CITY SCHOOLS****NOTES TO BASIC FINANCIAL STATEMENTS****FOR THE FISCAL YEAR ENDED JUNE 30, 2019****5. LONG-TERM LIABILITIES (Continued)**General Obligation Bonds (Continued)

The annual payments required to amortize the Measure T, Series 2005 bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 105,000	\$ 39,663	\$ 144,663
2021	115,000	34,916	149,916
2022	125,000	29,588	154,588
2023	135,000	23,738	158,738
2024	145,000	17,438	162,438
2025-2029	938,292	1,245,996	2,184,288
2030-2034	1,176,210	3,893,789	5,069,999
2035-2039	558,454	2,651,514	3,209,968
	<u>\$ 3,297,956</u>	<u>\$ 7,936,642</u>	<u>\$11,234,598</u>

The annual payments required to amortize the Measure S, Series 2012 refunding bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,405,000	\$ 347,040	\$ 1,752,040
2021	1,515,000	301,280	1,816,280
2022	1,625,000	251,920	1,876,920
2023	1,745,000	203,960	1,948,960
2024	1,865,000	142,160	2,007,160
2025-2029	3,030,000	98,000	3,128,000
	<u>\$ 11,185,000</u>	<u>\$ 1,344,360</u>	<u>\$12,529,360</u>

**EUREKA CITY SCHOOLS****NOTES TO BASIC FINANCIAL STATEMENTS****FOR THE FISCAL YEAR ENDED JUNE 30, 2019****5. LONG-TERM LIABILITIES (Continued)**General Obligation Bonds (Continued)

The annual payments required to amortize the Measure T, Series 2012 refunding bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 450,000	\$ 86,025	\$ 536,025
2021	485,000	71,842	556,842
2022	515,000	56,575	571,575
2023	545,000	40,378	585,378
2024	585,000	23,173	608,173
2025-2029	305,000	4,727	309,727
	<u>\$ 2,885,000</u>	<u>\$ 282,720</u>	<u>\$ 3,167,720</u>

The annual payments required to amortize the Measure S, Series 2015 bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 135,000	\$ 906,225	\$ 1,041,225
2021	160,000	903,525	1,063,525
2022	195,000	900,325	1,095,325
2023	225,000	892,525	1,117,525
2024	265,000	883,525	1,148,525
2025-2029	1,955,000	4,230,175	6,185,175
2030-2034	3,180,000	3,828,325	7,008,325
2035-2039	4,845,000	3,082,113	7,927,113
2040-2044	7,285,000	1,694,350	8,979,350
2045-2049	3,690,000	223,800	3,913,800
	<u>\$ 21,935,000</u>	<u>\$ 17,544,888</u>	<u>\$39,479,888</u>

## EUREKA CITY SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

## 6. EMPLOYEE RETIREMENT SYSTEMS

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

### Plan Description

#### California Public Employees' Retirement System (CalPERS)

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

#### State Teachers' Retirement System (STRS)

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

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

	CalPERS		CalSTRS	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	6.5%	10.25%	9.205%
Required employer contribution rates	18.062%	18.062%	16.28%	16.28%



## EUREKA CITY SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

##### Contributions

##### **CalPERS**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

##### **STRS**

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.

For the year ended June 30, 2019 the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for the Plan were:

	<b>CalPERS</b>	<b>STRS</b>	<b>Total</b>
Contributions - employer	\$ 1,391,946	\$ 2,554,142	\$ 3,946,088
On behalf contributions - state	494,398	2,433,123	2,927,521
Total	<u>\$ 1,886,344</u>	<u>\$ 4,987,265</u>	<u>\$ 6,873,609</u>

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

As of June 30, 2019, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<b>Proportionate Share of Net Pension Liability</b>
CalPERS	\$ 14,580,882
STRS	<u>26,655,233</u>
Total Net Pension Liability	<u>\$ 41,236,115</u>

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

# EUREKA CITY SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	<u>CalPERS</u>	<u>STRS</u>
Proportion - June 30, 2017	0.05245%	0.02931%
Proportion - June 30, 2018	0.05469%	0.02900%
Change - Increase (Decrease)	<u>0.00223%</u>	<u>-0.00031%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$6,496,106. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalPERS</u>		<u>STRS</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,886,344	\$ -	\$ 4,987,265	\$ -	\$ 6,873,609	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2017-18	-	339,701	-	1,089,865	-	1,429,566
Changes of Assumptions	2,006,397	147,028	7,136,466	-	9,142,863	147,028
Differences between Expected and Actual Experience	1,046,158	-	142,452	1,172,334	1,188,610	1,172,334
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	103,074	372,887	2,077,360	1,520,223	2,180,434	1,893,110
Net differences between projected and actual investment earnings on pension plan investments	957,945	-	-	838,212	957,945	838,212
Total	<u>\$ 5,999,918</u>	<u>\$ 859,616</u>	<u>\$ 14,343,543</u>	<u>\$ 4,620,634</u>	<u>\$ 20,343,461</u>	<u>\$ 5,480,250</u>

The amounts reported as deferred outflows of resources related to 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/(inflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>CalPERS</u>	<u>STRS</u>	<u>Total Deferred Outflows/ (Inflows) of Resources</u>
2020	\$ 1,321,485	\$ 173,559	\$ 1,495,044
2021	1,385,954	538,610	1,924,564
2022	522,600	957,597	1,480,197
2023	23,919	1,251,439	1,275,358
2024	-	1,276,726	1,276,726
Thereafter	-	537,713	537,713
Total	<u>\$ 3,253,958</u>	<u>\$ 4,735,644</u>	<u>\$ 7,989,602</u>

# EUREKA CITY SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

##### Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# EUREKA CITY SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

#### 6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

##### Discount Rate

##### **CalPERS**

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the 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. These rates of return are net of administrative expenses.

Asset Class	CalPERS		
	Assumed		
	Asset Allocation	Real Return Years 1 - 10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

<sup>(a)</sup> An expected inflation of 2.00% used for this period

<sup>(b)</sup> An expected inflation of 2.92% used for this period

# EUREKA CITY SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### 6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

#### Discount Rate

#### **STRS**

The discount rate used to measure the total pension liability was 7.10%. 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. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The 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 (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, the consulting actuary (Milliman) reviews the return assumptions for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class are summarized in the following table.

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return <sup>(a)</sup>
Global Equity	47.0%	6.30%
Fixed Income	12.0%	0.30%
Real Estate	13.0%	5.20%
Private Equity	13.0%	9.30%
Risk Mitigating Strategies	9.0%	2.90%
Inflation Sensitive	4.0%	3.80%
Cash/Liquidity	2.0%	-1.00%
Total	100%	

<sup>(a)</sup> 20-year average

**EUREKA CITY SCHOOLS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<b>CalPERS</b>			
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 20,362,562	\$ 14,580,882	\$ 8,695,245

<b>STRS</b>			
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability	\$ 39,462,627	\$ 26,655,233	\$ 16,555,878

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS financial reports.

Payable to the Pension Plan

As of June 30, 2019, the District had no outstanding required contributions to the pension plans.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**7. OTHER POSTEMPLOYMENT BENEFITS**

**General Information about the OPEB Plan**

*Plan description.* The plan is a multi-employer defined benefit plan. The District pays for monthly health and dental benefits to employees who have reached the age of 55, qualify for retirement and have a combined years of service and age greater than 70. On June 30, 2019, 521 retirees met these eligibility requirements.

*Benefits provided.* Access to health and dental insurance is available to retirees age 55 to 65 at the retiree's own expense.

	Certificated	Classified	Management
Benefit types provided	Medical, dental, and vision	Medical, dental, and vision	Medical, dental, and vision
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	15 years**	10 years*
Minimum Age	55*	55**	55***
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	None	Same as active employees	None

\*Age at retirement plus length of service must be at least 80 for 100% benefit. For less than 80, the benefit percent equals age plus service

\*\*Age at retirement plus length of service must be at least 70

\*\*\*Age at retirement plus length of service must be at least 70

The Plan has no assets, does not issue financial statements, and is not a trust.

*Employees covered by benefit terms.* At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	94
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	427
	<u>521</u>

**EUREKA CITY SCHOOLS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.75% per year
Inflation	2.75% per year
Investment rate of return	3.8% per year net of expenses based on the Bond Buyer 20 Bond Index
Healthcare cost trend rates	4% per year

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study as of August 2017.

**Changes in the Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2018	\$ 11,054,379	\$ -	\$ 11,054,379
Changes for the year:			
Service cost	933,991	-	933,991
Interest	414,598	-	414,598
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,221,793	(1,221,793)
Changes of assumptions	(190,663)	-	(190,663)
Net investment income	-	-	-
Benefit payments	(1,221,793)	(1,221,793)	-
Administrative expense	-	-	-
Net changes	(63,867)	-	(63,867)
Balances at June 30, 2019	<u>\$ 10,990,512</u>	<u>\$ -</u>	<u>\$ 10,990,512</u>



**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.8 percent) or 1-percentage-point higher (4.8 percent) than the current discount rate:

	<b>1% Decrease (2.80%)</b>	<b>Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
Net OPEB liability (asset)	\$ 11,540,905	\$ 10,990,512	\$ 10,462,085

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current healthcare cost trend rates:

	<b>1% Decrease (3.0%)</b>	<b>Healthcare Cost Trend Rates (4.0%)</b>	<b>1% Increase (5.0%)</b>
Net OPEB liability (asset)	\$ 10,440,735	\$ 10,990,512	\$ 11,562,538

*OPEB plan fiduciary net position.* The plan has no assets.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$3,328,527. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	175,882
Net difference between projected and actual earnings on OPEB plan investments	-	-
Deferred contributions	947,214	-
Total	<u>\$ 947,214</u>	<u>\$ 175,882</u>

The District will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

<b>Year ended June 30</b>	<b>Total Deferred Outflows/(Inflows) of Resources</b>
2020	\$ (14,781)
2021	(14,781)
2022	(14,781)
2023	(14,781)
2024	(14,781)
Thereafter	(101,977)
Total	<u>\$ (175,882)</u>

**Payable to the OPEB Plan**

At June 30, 2019, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

**EUREKA CITY SCHOOLS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**8. FUND BALANCE**

Fund balances are reported in accordance with GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2019:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>Nonspendable:</b>					
Revolving cash	\$ 5,435	\$ -	\$ -	\$ 1,140	\$ 6,575
Stores	28,008	-	-	15,293	43,301
Total Nonspendable	33,443	-	-	16,433	49,876
<b>Restricted for:</b>					
Adult Education Block Grant Program	-	-	-	51,258	51,258
Low-Performing Students Block Grant	258,859	-	-	-	258,859
Medi-Cal Billing Option	301,157	-	-	-	301,157
Classified School Employee Professional Development Block Grant	27,917	-	-	-	27,917
Capital outlay	-	14,174,960	-	-	14,174,960
Lottery: Instructional Materials	118,306	-	-	-	118,306
California Clean Energy Jobs Act	332,211	-	-	-	332,211
Restricted for Bond Repayment	-	-	2,882,949	-	2,882,949
Child Nutrition: School Programs	-	-	-	308,707	308,707
State School Facilities Projects	-	-	-	1,574	1,574
Other Restricted Local	119,430	-	-	94,154	213,584
Total Restricted	1,157,880	14,174,960	2,882,949	455,693	18,671,482
<b>Assigned to:</b>					
Supplemental/Concentration	6,975	-	-	-	6,975
After School Program	17,694	-	-	-	17,694
Drive 2 Stay Alive	7,254	-	-	-	7,254
Instructional Materials	10,584	-	-	-	10,584
TRAN Fund Set Aside	4,870	-	-	-	4,870
TRAN Fund	862	-	-	-	862
School Site Block Grant	38,543	-	-	-	38,543
Special Ed	954,994	-	-	-	954,994
Equipment	477,497	-	-	-	477,497
State Lottery Revenue	99,117	-	-	-	99,117
Tentative 18-19 Comp. Increase	120,000	-	-	-	120,000
Computer Replacement	250,000	-	-	-	250,000
Retiree Benefits	129,726	-	-	-	129,726
Adult Education	-	-	-	16,047	16,047
Routine Maintenance	1,432,494	-	-	-	1,432,494
Other Assignments	-	-	-	653,149	653,149
Total Assigned	3,550,610	-	-	669,196	4,219,806
<b>Unassigned:</b>					
Economic uncertainties	2,690,572	-	-	-	2,690,572
Total Unassigned	2,690,572	-	-	-	2,690,572
Total Fund Balances	<u>\$ 7,432,505</u>	<u>\$ 14,174,960</u>	<u>\$ 2,882,949</u>	<u>\$ 1,141,322</u>	<u>\$ 25,631,736</u>

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**9. JOINT POWERS AGREEMENTS**

The District is a member with other school districts in Joint Powers Authorities (JPAs). North Coast Schools Insurance Group provides workers' compensation and property and liability insurance benefits.

The following is a summary of latest financial information available for the JPAs:

	<u>NCSIG</u> <u>June 30, 2019</u>
Total assets	\$ 5,547,532
Total liabilities	1,217,634
Net position	4,329,898
Total revenues	7,319,421
Total expenses	6,980,270
Change in net position	339,151

Each member of the JPAs has an ongoing financial responsibility in the event of the JPA's total liabilities exceed its total assets.

The relationship between Eureka City Schools and the Joint Powers Authorities is such that they are not a component unit of the District for financial reporting purposes. Financial statements for the JPAs are available from the individual JPAs.

**10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended June 30, 2019 were as follows:

	<u>Excess</u> <u>Expenditures</u>
General Fund	
Certificated salaries	\$ 89,851
Employee benefits	1,212,662

The excess is not in accordance with Education Code 42600. The excess expenditures for certificated salaries are for additional employees hired to fill additional needs. The excess expenditures for employee benefits are due to the recognition of the state on-behalf payments for STRS, which are not included in the adopted budget.

**EUREKA CITY SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**11. TAX AND REVENUE ANTICIPATION NOTES**

The District issued \$1,220,000 of tax and revenue anticipation notes (TRANs) dated July 6, 2018. The issuance cost, underwriter's discount and the premium were \$10,000, \$1,220 and \$24,534 respectively. The final cost for the TRANs was \$1,255,514. The note matures in 2 installments at 3% interest. The first payment of \$627,757 is scheduled to be made on January 31, 2019 and second payment of \$627,757 is scheduled to be made on April 30, 2019. The notes were sold to supplement cash flow.

The District issued \$2,000,000 of tax and revenue anticipation notes (TRANs) dated July 11, 2019. The issuance cost, underwriter's discount and the premium were \$13,650, \$2,000 and \$15,320 respectively. The final cost for the TRANs was \$2,038,778. The note matures in 2 installments at 2% interest. The first payment of \$1,019,389 is scheduled to be made on January 31, 2020 and second payment of \$1,019,389 is scheduled to be made on April 30, 2020. The notes were sold to supplement cash flow.

**12. SUBSEQUENT EVENTS**

The District's management evaluated its June 30, 2019 financial statements for subsequent events through December 2, 2019, the date the financial statements were available to be issued. Management is not aware of any subsequent events, other than those discussed below, that would require recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EUREKA CITY SCHOOLS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Local Control Funding Formula	\$ 35,942,072	\$ 36,203,012	\$ 36,200,563	\$ (2,449)
Federal revenue	4,488,687	4,709,976	4,543,166	(166,810)
Other state revenues	4,157,972	3,917,973	5,553,924	1,635,951
Other local revenues	2,331,462	3,430,018	2,576,520	(853,498)
Total revenues	46,920,193	48,260,979	48,874,173	613,194
EXPENDITURES				
Certificated salaries	16,805,961	16,064,426	16,154,277	(89,851)
Classified salaries	6,957,845	7,249,442	7,102,432	147,010
Employee benefits	12,926,193	12,611,650	13,824,312	(1,212,662)
Books and supplies	2,026,887	2,239,470	1,976,543	262,927
Services and other operating expenditures	5,801,234	6,455,914	5,471,420	984,494
Capital outlay	964,136	896,509	539,213	357,296
Other outgo	2,387,136	2,680,855	2,613,366	67,489
Total expenditures	47,869,392	48,198,266	47,681,563	516,703
Excess (deficiency) of revenues over expenditures	(949,199)	62,713	1,192,610	1,129,897
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(187,219)	(101,649)	(113,100)	(11,451)
Contributions	5,644,907	-	-	-
Total other financing sources (uses)	5,457,688	(101,649)	(113,100)	(11,451)
Net change in fund balances	4,508,489	(38,936)	1,079,510	1,118,446
Fund balances, July 1, 2018	6,352,995	6,352,995	6,352,995	-
Fund balances, June 30, 2019	\$ 10,861,484	\$ 6,314,059	\$ 7,432,505	\$ 1,118,446

**EUREKA CITY SCHOOLS**

**SCHEDULE OF CHANGES IN THE DISTRICT'S  
NET OPEB LIABILITY AND RELATED RATIOS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>2019*</b>	<b>2018*</b>
<b>Total OPEB liability</b>		
Service cost	\$ 933,991	\$ 908,994
Interest	414,598	377,891
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(190,663)	-
Benefit payments, including refunds of member contributions	<u>(1,221,793)</u>	<u>(1,174,801)</u>
<b>Net change in total OPEB liability</b>	<u>(63,867)</u>	<u>112,084</u>
<b>Total OPEB liability - beginning</b>	<u>11,054,379</u>	<u>10,942,295</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$10,990,512</u>	<u>\$11,054,379</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,221,793	\$ 1,174,801
Net investment income	-	-
Benefit payments, including refunds of member contributions	(1,221,793)	(1,174,801)
Administrative expense	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - beginning</b>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u><u>\$10,990,512</u></u>	<u><u>\$11,054,379</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.0%	 0.0%
Covered-employee payroll	\$24,577,289	\$22,983,778
District's net OPEB liability as a percentage of covered-employee payroll	44.7%	48.1%

\* GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Since this is the second year of implementation, only results for fiscal years 2018 and 2019 are shown in this table.



# EUREKA CITY SCHOOLS

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>CalPERS</b>	<b>June 30, 2014</b> (1)	<b>June 30, 2015</b> (1)	<b>June 30, 2016</b> (1)	<b>June 30, 2017</b> (1)	<b>June 30, 2018</b> (1)
Proportion of the net pension liability (asset)	0.05261%	0.05343%	0.05354%	0.05245%	0.05469%
Proportionate share of the net pension liability (asset)	\$ 5,972,131	\$ 7,876,117	\$ 10,574,031	\$ 12,522,018	\$ 14,580,882
Covered payroll <sup>(2)</sup>	\$ 5,368,032	\$ 5,877,623	\$ 5,479,169	\$ 5,981,244	\$ 6,202,248
Proportionate Share of the net pension liability (asset) as percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 631,871	\$ 696,322	\$ 760,947	\$ 928,947	\$ 1,120,250
<b>STRS</b>	<b>June 30, 2014</b> (1)	<b>June 30, 2015</b> (1)	<b>June 30, 2016</b> (1)	<b>June 30, 2017</b> (1)	<b>June 30, 2018</b> (1)
Proportion of the net pension liability (asset)	0.03270%	0.03326%	0.03037%	0.02931%	0.02900%
Proportionate share of the net pension liability (asset)	\$ 19,111,756	\$ 22,391,293	\$ 24,563,550	\$ 27,107,052	\$ 26,655,233
Covered payroll <sup>(2)</sup>	\$ 13,533,390	\$ 12,775,499	\$ 12,909,730	\$ 13,543,139	\$ 13,684,023
Proportionate Share of the net pension liability (asset) as percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 1,201,765	\$ 1,370,811	\$ 1,624,044	\$ 1,954,275	\$ 2,227,759

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

<sup>(3)</sup> The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**EUREKA CITY SCHOOLS**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>CalPERS</b>	<b>Fiscal Year 2014- 15<sup>(1)</sup></b>	<b>Fiscal Year 2015- 16<sup>(1)</sup></b>	<b>Fiscal Year 2016- 17<sup>(1)</sup></b>	<b>Fiscal Year 2017- 18<sup>(1)</sup></b>	<b>Fiscal Year 2018- 19<sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 631,871	\$ 696,322	\$ 760,947	\$ 928,947	\$ 1,120,250
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(696,469)	(764,748)	(926,277)	(1,124,498)	(1,391,946)
Contribution deficiency (excess)	<u>\$ (64,598)</u>	<u>\$ (68,426)</u>	<u>\$ (165,330)</u>	<u>\$ (195,551)</u>	<u>\$ (271,696)</u>
Covered payroll <sup>(3)</sup>	\$ 5,368,032	\$ 5,877,623	\$ 5,479,169	\$ 5,981,244	\$ 6,202,248
Contributions as a percentage of covered payroll <sup>(3)</sup>	11.771%	11.847%	13.888%	15.531%	18.062%

<b>STRS</b>	<b>Fiscal Year 2014- 15<sup>(1)</sup></b>	<b>Fiscal Year 2015- 16<sup>(1)</sup></b>	<b>Fiscal Year 2016- 17<sup>(1)</sup></b>	<b>Fiscal Year 2017- 18<sup>(1)</sup></b>	<b>Fiscal Year 2018- 19<sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 1,201,765	\$ 1,370,811	\$ 1,624,044	\$ 1,954,275	\$ 2,227,759
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(2,162,347)	(1,633,129)	(1,972,809)	(2,267,791)	(2,554,142)
Contribution deficiency (excess)	<u>\$ (960,582)</u>	<u>\$ (262,318)</u>	<u>\$ (348,765)</u>	<u>\$ (313,516)</u>	<u>\$ (326,383)</u>
Covered payroll <sup>(3)</sup>	\$ 13,533,390	\$ 12,775,499	\$ 12,909,730	\$ 13,543,139	\$ 13,684,023
Contributions as a percentage of covered payroll <sup>(3)</sup>	8.880%	10.730%	12.580%	14.430%	16.280%

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

<sup>(3)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

**EUREKA CITY SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. PURPOSE OF SCHEDULES**

A - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

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 are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of the Changes in the District's Net OPEB Liability and Related Ratios

*Benefit changes.* There were no changes to benefits.

*Changes of assumptions.* The investment rate of return changed from 3.5% to 3.8%.

Fiscal year 2018 was the first year of implementation, therefore only two years are shown.

Actuarial cost method	Entry age normal (EAN) cost method
Amortization method	Level percentage of pay
Amortization period	30 years
Asset valuation method	There are no plan assets
Inflation	2.75% per year
Healthcare cost trend rates	4% per year
Salary increases	2.75% per year
Investment rate of return	3.8% per year net of expenses
Retirement age	Minimum retirement age of 55
Mortality	
Certificated	2009 CalSTRS Mortality
Classified and Miscellaneous	2014 CalPERS Retiree and Active Mortality for Miscellaneous Employees

**EUREKA CITY SCHOOLS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. PURPOSE OF SCHEDULES (continued)**

**C - Schedule of Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Assumptions*

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. There were no changes in the assumptions used in the calculation of the STRS collective net pension liability.

*Changes in Benefit Terms*

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

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

**D - Schedule of Pension Contributions**

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

## **SUPPLEMENTARY INFORMATION**

**EUREKA CITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**ALL NON-MAJOR FUNDS**

**JUNE 30, 2019**

	<u>Adult Ed Fund</u>	<u>Cafeteria Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Totals</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 140	\$ 999	\$ -	\$ 2,077	\$ 82,531	\$ 1,574	\$ 647,394	\$ 734,715
Receivables	81,971	361,137	55,596	-	379	-	2,977	502,060
Stores Inventory	<u>-</u>	<u>15,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,293</u>
Total assets	<u>\$ 82,111</u>	<u>\$ 377,429</u>	<u>\$ 55,596</u>	<u>\$ 2,077</u>	<u>\$ 82,910</u>	<u>\$ 1,574</u>	<u>\$ 650,371</u>	<u>\$ 1,252,068</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	\$ 2,704	\$ 6,234	\$ 3,214	\$ -	\$ -	\$ -	\$ -	\$ 12,152
Due to other funds	11,962	46,195	22,128	-	-	-	-	80,285
Deferred revenue	<u>-</u>	<u>-</u>	<u>18,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,309</u>
Total liabilities	<u>14,666</u>	<u>52,429</u>	<u>43,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,080</u>
Fund balances								
Nonspendable	140	16,293	-	-	-	-	-	16,433
Restricted	51,258	308,707	11,244	-	82,910	1,574	-	455,693
Assigned	<u>16,047</u>	<u>-</u>	<u>701</u>	<u>2,077</u>	<u>-</u>	<u>-</u>	<u>650,371</u>	<u>669,196</u>
Total fund balances	<u>67,445</u>	<u>325,000</u>	<u>11,945</u>	<u>2,077</u>	<u>82,910</u>	<u>1,574</u>	<u>650,371</u>	<u>1,141,322</u>
Total liabilities and fund balances	<u>\$ 82,111</u>	<u>\$ 377,429</u>	<u>\$ 55,596</u>	<u>\$ 2,077</u>	<u>\$ 82,910</u>	<u>\$ 1,574</u>	<u>\$ 650,371</u>	<u>\$ 1,252,068</u>

**EUREKA CITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ALL NON-MAJOR FUNDS**  
**JUNE 30, 2019**

	Adult Ed Fund	Cafeteria Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Totals
<b>REVENUES</b>								
Federal revenue	\$ -	\$ 1,973,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,973,225
Other state revenues	377,545	176,601	425,536	-	-	-	-	979,682
Other local revenues	77,556	230,012	43,704	34	1,406	25	11,033	363,770
Total revenues	455,101	2,379,838	469,240	34	1,406	25	11,033	2,861,576
<b>EXPENDITURES</b>								
Certificated salaries	164,105	-	158,769	-	-	-	-	322,874
Classified salaries	52,987	796,990	109,274	-	-	-	-	959,251
Employee benefits	124,115	611,381	166,422	-	-	-	-	901,918
Books and supplies	6,330	890,051	14,563	-	-	-	-	910,944
Contract services and operating expenditures	56,468	38,257	27,242	-	-	-	-	121,967
Other outgo	18,559	105,375	32,200	-	-	-	-	156,134
Total expenditures	422,564	2,442,054	508,470	-	-	-	-	3,373,088
(Deficiency) excess of revenues (under) over expenditures	32,537	(62,216)	(39,230)	34	1,406	25	11,033	(56,411)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	-	74,985	38,115	-	-	-	-	113,100
Total other financing sources (uses)	-	74,985	38,115	-	-	-	-	113,100
Net change in fund balances	32,537	12,769	(1,115)	34	1,406	25	11,033	56,689
Fund balances, July 1, 2018	34,908	312,231	13,060	2,043	81,504	1,549	639,338	1,084,633
Fund balances, June 30, 2019	\$ 67,445	\$ 325,000	\$ 11,945	\$ 2,077	\$ 82,910	\$ 1,574	\$ 650,371	\$ 1,073,877

**EUREKA CITY SCHOOLS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**ALL AGENCY FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2019</b>
<b>Assets:</b>				
Cash and Cash Equivalents				
Elementary Schools	\$ 120,366	\$ 64,877	\$ 60,758	\$ 124,485
Middle Schools	112,956	14,076	6,488	120,544
Special Programs	23,035	14,350	1,633	35,752
High Schools	<u>223,578</u>	<u>32,220</u>	<u>23,773</u>	<u>232,025</u>
 Total Assets	 <u><u>\$ 479,935</u></u>	 <u><u>\$ 125,523</u></u>	 <u><u>\$ 92,652</u></u>	 <u><u>\$ 512,806</u></u>
 <b>Liabilities:</b>				
Due to Student Groups	<u>\$ 479,935</u>	<u>\$ 125,523</u>	<u>\$ 92,652</u>	<u>\$ 512,806</u>
 Total Liabilities	 <u><u>\$ 479,935</u></u>	 <u><u>\$ 125,523</u></u>	 <u><u>\$ 92,652</u></u>	 <u><u>\$ 512,806</u></u>



## **EUREKA CITY SCHOOLS**

### **ORGANIZATION**

**JUNE 30, 2019**

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Eureka City Schools, a political subdivision of the state of California, was established on November 2, 1908. There were no changes in the boundaries of the District during the year. The District operates one pre-school, four elementary schools, two middle schools, one comprehensive high school, one necessary small high school and one continuation high school.

#### **GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Mike Duncan	President	2020
Lisa Olliver	Member	2022
Mari Fernandez	Member	2022
Susan Johnson	Member	2020
Fran Taplin	Member	2022

#### **ADMINISTRATION**

Fred Van Vleck, Ed.D.  
Superintendent

Paul Ziegler  
Assistant Superintendent of Business Services

Michael Davies-Hughes  
Assistant Superintendent of Education Services

Renae M. Will  
Director of Personnel Services and Public Affairs

John Leonard  
Director of Student Services

**EUREKA CITY SCHOOLS**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>
Elementary:			
TK through Third	893	893	894
Fourth through Sixth	670	671	668
Seventh to Eighth	675	678	677
Subtotal Elementary	2,238	2,242	2,238
Secondary:			
Ninth through Twelfth	1,107	1,112	1,098
Continuation Education	53	52	52
Subtotal Secondary	1,160	1,164	1,150
District Totals	3,399	3,406	3,388

\* Revisions to the Second Period of Attendance were not the result of the audit.

**EUREKA CITY SCHOOLS****SCHEDULE OF INSTRUCTIONAL TIME****FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<b>Grade Level</b>	<b>Standard Minutes Requirement</b>	<b>2018-19 Actual Minutes</b>	<b>Instructional Days</b>	<b>Status</b>
Kindergarten	36,000	55,474	180	In compliance
Grade 1	50,400	51,874	180	In compliance
Grade 2	50,400	51,874	180	In compliance
Grade 3	50,400	51,874	180	In compliance
Grade 4	54,000	56,669	180	In compliance
Grade 5	54,000	56,669	180	In compliance
Grade 6	54,000	61,649	180	In compliance
Grade 7	54,000	61,649	180	In compliance
Grade 8	54,000	61,649	180	In compliance
Grade 9	64,800	64,865	180	In compliance
Grade 10	64,800	64,865	180	In compliance
Grade 11	64,800	64,865	180	In compliance
Grade 12	64,800	64,865	180	In compliance

**EUREKA CITY SCHOOLS**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDIT FINANCIAL STATEMENTS**

**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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Charter School ID Number	Charter Schools Chartered by the District	Included in the District Financial Statements, or Separate Report
1884	Pacific View Charter 2.0	Separately Reported

**EUREKA CITY SCHOOLS**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDIT FINANCIAL STATEMENTS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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There were no adjustments to any funds of the districts.

# EUREKA CITY SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal CFDA Number	Grantor and Program Title	Pass- Through Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected Total Title I Cluster	14329	\$ 1,438,053 <u>1,438,053</u>
84.365	NCLB: Title III, Immigrant Education	15146	2,911
84.365	NCLB: Title III Limited English Proficiency (LEP) Total Title III Cluster	14346	70,928 <u>73,839</u>
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611 (Formerly PL 94-142)	13379	687,640
84.027	Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	1,217
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	26,013
84.173A	Special Education: IDEA Preschool Capacity Building, Part B, Sec 619 Total Special Education Cluster	13839	5,700 <u>720,570</u>
84.351D	North Coast Arts Integration	140088	404,762
84.351C	Creative Learning and Access in Northern California for Innovative Education (CLANCIE)	140088	427,169
84.184G	Humboldt Bay Area School Climate	140359	749,062
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	170,420
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	75,000
84.048	Vocational Programs: Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	14894	61,291
84.060	Indian Education	10011	91,333
84.330B	NCLB: Title I, Part G: Advanced Placement Test Fee Program	14831	-
84.126	Department of Rehabilitation: Workability II, Tansitions Partnership Program	10006	95,610
84.358	ESEA (ESSA): Title V, Part B, Rural & Low Income School Program (aka REAP)		94,644
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants		58,032
N/A	National Wildlife In-Lieu	N/A	535 <u>4,460,320</u>
Total U.S. Department of Education			
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.558	Child Nutrition: Child Care Food Program	13393	224,514
10.555	Child Nutrition: Meal Supplements in National School Lunch Program	13391	* 1,748,711 <u>1,973,225</u>
Total Cash Assistance Subtotal			
10.555	School Lunch Program - Nonmonetary Assistance	13391	150,126
Total Non-Cash Assistance Subtotal			<u>150,126</u>
Total U.S. Department of Agriculture			<u>2,123,351</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through California Department of Education</i>			
93.778	Department of Health Services: Medi-Cal Billing Option (DHS)	10013	82,846 <u>82,846</u>
Total U.S. Department of Health and Human Services			
Total Federal Programs			<u>\$ 6,666,517</u>

\* Tested as a major program.

**EUREKA CITY SCHOOLS**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Adopted Budget 2019/2020</b>	<b>Actuals 2018/2019</b>	<b>Actuals 2017/2018</b>	<b>Actuals 2016/2017</b>
<b><u>General Fund</u></b>				
Revenues and Other Financial Sources	\$ 45,605,456	\$ 48,874,173	\$ 44,739,643	\$ 43,111,920
Expenditures	47,341,845	47,681,563	44,455,395	42,639,336
Other Uses and Transfers Out	140,177	113,100	252,162	341,048
Total Outgo	47,482,022	47,794,663	44,707,557	42,980,384
Change in Fund Balance	(1,876,566)	1,079,510	32,086	131,536
Ending Fund Balance	\$ 5,555,939	\$ 7,432,505	\$ 6,352,995	\$ 6,320,909
Available Reserves	\$ 2,090,831	\$ 2,690,572	\$ 2,419,619	\$ 2,446,013
Designated for Economic Uncertainties	\$ 2,090,831	\$ 2,690,572	\$ 2,419,619	\$ 2,446,013
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	4.4%	5.6%	5.4%	5.7%
<b><u>All Funds</u></b>				
Total Long-Term Debt	\$ 115,443,750	\$ 117,568,750	\$ 116,522,475	\$ 113,462,519
Actual Daily Attendance at P-2 (Exclusive of Adult ADA)	3,364	3,406	3,485	3,595

The General Fund balance has increased by \$1,243,132 over the past three years. The fiscal year 2019-20 budget projects a decrease of \$1,876,566. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2019, the District has met this requirement.

The District has incurred operating surpluses in the past three years, and anticipates an operating deficit in fiscal year 2019-20.

Total long-term liabilities have increased by \$4,106,231 over the past two years due to the accreted interest on Capital Appreciation Bonds, and increases to the net pension liability and implementation of GASB 75 to recognize the Net OPEB Liability.

Average daily attendance has decreased by 189 over the past two years. A decrease in ADA is projected for the 2019-2020 fiscal year.

# EUREKA CITY SCHOOLS

## NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### 1. PURPOSE OF SCHEDULES

#### Schedule of Average Daily Attendance

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

The District participated in the Longer Day incentives and did not meet or exceed its target funding.

#### Schedule of Charter Schools

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

#### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. The August 2019 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

	<b>Federal Catalog Number</b>	<b>Amount</b>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 6,516,391
Reconciling items		
Food Distribution - Commodities	10.555	150,126
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,666,517</u>



# **EUREKA CITY SCHOOLS**

## **NOTES TO SUPPLEMENTARY INFORMATION**

### **FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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#### **1. PURPOSE OF SCHEDULES (continued)**

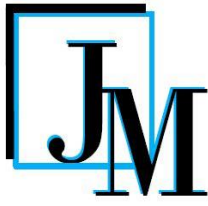
##### **Schedule of Financial Trends and Analysis**

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

#### **2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2019, the District did not adopt such a program.

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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

Board of Trustees  
Eureka City Schools  
Eureka, California

**Report on Compliance for Each State Program**

We have audited Eureka City Schools's (the "District") compliance with the types of compliance requirements described in the State of California's 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2019.

**Management's Responsibility**

Management is responsible for compliance with the requirements of state laws and regulations.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time for School Districts	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	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

### School Districts, County Offices of Education and Charter Schools

Description	Procedures Performed
California Clean Energy Jobs Act	Yes
After/Before Schools Education and Safety Program	
General requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

### Charter Schools

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

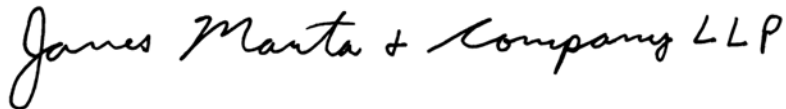
We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, Before School portion of the After School Education and Safety Program, Independent Study-Course Based, District of Choice, Middle or Early College High School, or Apprenticeship: Related and Supplemental Instruction because the District did not offer these programs in the current year.

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, and Annual Instructional Minutes-Classroom-Based for Charter Schools, Charter School Facility Grant Program because the District did not have any charter schools.

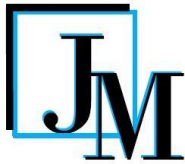
## **Opinion**

### **Opinion on Compliance with State Laws and Regulations**

In our opinion, Eureka City Schools complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2019

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 2, 2019



**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Eureka City Schools  
Eureka, 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 Eureka City Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Eureka City Schools's basic financial statements, and have issued our report thereon dated December 2, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies: **2019-01**.

## **Compliance and Other Matters**

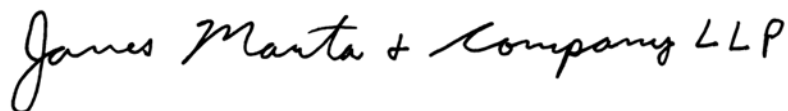
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

## **Eureka City Schools's Response to Findings**

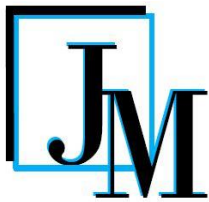
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 2, 2019



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Eureka City Schools  
Eureka, California

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the August 2019 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.



## Opinion on Each Major Federal Program

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

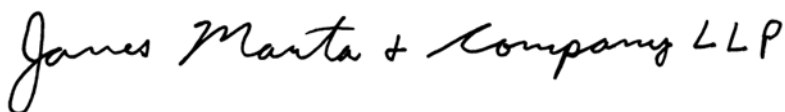
## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 2, 2019

## **FINDINGS AND RECOMMENDATIONS**

**EUREKA CITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

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

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.558	National School Lunch Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**State Awards**

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

Internal control over state programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

**EUREKA CITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section II – Financial Statement Findings**

**2019-1 Associated Student Body (30000)**

**Criteria:**

Education Code Section 48930 (and the California Department of Education’s “Accounting Procedures for Student Organizations Handbook”) requires student body organizations to follow the regulations set by the Governing Board of the school district.

**Condition:**

For the fundraiser dinner booster for girls’ basketball held at Eureka Senior High School on November 7, 2018, there was no fundraising approval form completed.

**Cause:**

The policies and procedures for revenue generating activities, as outlined by the District, were not properly implemented by the school site personnel.

**Effect:**

Fundraising activities may be unauthorized or inappropriate.

**Recommendations:**

All fundraising activities should have a fundraising approval form completed prior to the revenue generating event. The fundraising approval form is a vital internal control tool and it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project and, in addition, would provide assurance that all moneys earned are properly receipted and deposited.

**Managements Response:**

Management will be conducting unscheduled audits on all ASB accounts with feedback given to ASB personnel.

**EUREKA CITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**EUREKA CITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Section IV – State Award Findings and Questioned Costs**

No matters were reported

**EUREKA CITY SCHOOLS**  
**SCHEDULE OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>Findings and Recommendation</u></b>	<b><u>Current Status</u></b>	<b><u>Explanation If Not Implemented</u></b>
<b><u>Internal Controls</u></b>		
<b>2018-01 Associated Student Body (30000)</b>  Education Code Section 48930 (and the California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.  <ul style="list-style-type: none"><li>• All deposits should be made to the bank in a timely manner.</li></ul>	Partially Implemented	See current year finding 2019-01