



Durham Unified School District

**County of Butte
Durham, California**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2020



Durham Unified School District

TABLE OF CONTENTS

June 30, 2020

| | <u>Page Number</u> |
|---|-------------------------------|
| Independent Auditors' Report | 1 |
| FINANCIAL SECTION | |
| Required Supplementary Information | |
| Management's Discussion and Analysis | 6 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities | 18 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 19 |
| Reconciliation of Governmental Fund Balances to Government-Wide Net Position | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 22 |
| Reconciliation of Net Change in Fund Balances to Change in Net Position | 23 |
| Statement of Fiduciary Net Position – Fiduciary Funds | 25 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 26 |
| Notes to the Financial Statements | 27 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 63 |
| Notes to the Budgetary Comparison Schedule | 64 |
| Schedule of Changes in District's Total OPEB Liability and Related Ratios | 65 |
| Schedule of District's Contributions – OPEB | 66 |
| Schedule of District's Proportionate Share of the Net Pension Liability – California State Teachers' Retirement System | 67 |
| Schedule of District's Contributions – California State Teachers' Retirement System | 68 |
| Schedule of District's Proportionate Share of the Net Pension Liability – California Public Employees' Retirement System | 69 |
| Schedule of District's Contributions – California Public Employees' Retirement System | 70 |
| Notes to the Required Supplementary Information | 71 |
| OTHER SUPPLEMENTARY INFORMATION SECTION | |
| Local Educational Agency Organization Structure | 74 |
| Schedule of Charter Schools | 75 |
| Schedule of Average Daily Attendance | 76 |
| Schedule of Instructional Time | 77 |
| Schedule of Financial Trends and Analysis | 78 |
| Reconciliation of Annual Financial and Budget Report With Audited Financial Statements | 79 |
| Note to the Other Supplementary Information | 80 |

Durham Unified School District

TABLE OF CONTENTS

June 30, 2020

(Continued)

Page Number

OTHER REPORTS SECTION

| | |
|--|----|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 82 |
| Independent Auditors' Report on State Compliance | 84 |

FINDINGS AND QUESTIONED COSTS SECTION

| | |
|---|----|
| Schedule of Findings and Questioned Costs | 88 |
| Corrective Action Plan | 93 |
| Summary Schedule of Prior Audit Findings | 94 |

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Durham Unified School District
Durham, 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 Durham Unified School District (the District) as of and for the year ended June 30, 2020; 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

The District's 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.

Auditors' 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 of America. 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 auditors' 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 District'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 District'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position 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 management's discussion and analysis, the budgetary comparison schedule, and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 74 to 80 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 76 to 80 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

The local educational agency organization structure and the schedule of charter schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



March 25, 2021
Chico, California

FINANCIAL SECTION

Required Supplementary Information

INTRODUCTION

This section of the Durham Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the independent auditors' report presented and the District's financial statements, which immediately follow this section.

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 fund financial statements for governmental activities 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 financial statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- Total net position was a negative \$4,855,312 at June 30, 2020. This was an increase of \$499,943 from the prior year.
- Overall expenses were \$13,028,531, which were exceeded by total current-year revenues by \$499,943.
- Capital assets, net of depreciation, increased by \$1,879,082 due to current-year additions offset by \$449,388 of depreciation expense, which was less than additions during the year.
- Long-term debt increased by \$1,532,675 due to increases in the net pension liability and total OPEB liability.
- The District maintains sufficient reserves for a district its size. The state required minimum reserve for economic uncertainty is 3% of General Fund expenditures and other financing uses. During fiscal year 2019-20, General Fund expenditures and other financing uses totaled \$12,588,784. At June 30, 2020, the District has available reserves of \$530,284 in the General Fund, which represents a reserve of 4.21%.

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 Financial Statements: Comprising the first two statements, provide both short-term and long-term information about the District's overall financial position.

Fund Financial Statements: Focus on reporting the individual parts of the District's operations in more detail.

- 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 funds statements.

Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The District as a whole is reported in the government-wide financial statements and uses accounting methods similar to those used by companies in the private sector. All the District's assets and liabilities are included in the statement of net position. The statement of activities reports all 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 position is improving or deteriorating, respectively.
- Additional nonfinancial 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.

Durham Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

In the statement of net position and the statement of activities, the District is divided into two kinds of activities.

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 property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here but are financed by a combination of state and federal contract and grants, and local revenues.

Business-Type Activities

The District does not provide any services that should be included in this category.

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 and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds

The major governmental funds of the District are the General Fund and the Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and 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 financial 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 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.

Durham Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was a negative \$4,855,312 for the fiscal year ended June 30, 2020. Of this amount, a negative \$15,933,053 is unrestricted. Restricted net position is reported separately if it is not available for day-to-day operations or the net position is constrained to a particular purpose by statutes, rules or other entities with authority over the District.

The negative \$15,933,053 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. It means that if the District had to pay off all of our debts and bills today, including all of our noncapital liabilities (compensated absences, pension liability, or OPEB as an example), we would have a deficit of \$15,933,053 when considering the value of all unrestricted assets.

| June 30 | Governmental Activities | | Percentage Change 2019-20 |
|--|--------------------------------|-----------------------|----------------------------------|
| | 2019 | 2020 | |
| ASSETS | | | |
| Cash and investments | \$ 9,119,573 | \$ 8,207,787 | -10.00% |
| Accounts receivable | 12,269 | 1,306,651 | 10550.02% |
| Inventories | 5,015 | 12,481 | 148.87% |
| Prepaid expenses | 175,385 | - | -100.00% |
| Capital assets - net | 4,532,297 | 6,411,379 | 41.46% |
| TOTAL ASSETS | 13,844,539 | 15,938,298 | 15.12% |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources for OPEB | 29,358 | 231,313 | 687.90% |
| Deferred outflows of resources for pensions | 2,889,957 | 3,509,560 | 21.44% |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,919,315 | 3,740,873 | 28.14% |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 701,503 | 1,553,223 | 121.41% |
| Advances from grantors | 9,433 | 24,473 | 159.44% |
| Long-term debt | 20,687,282 | 22,219,957 | 7.41% |
| TOTAL LIABILITIES | 21,398,218 | 23,797,653 | 11.21% |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources for pensions | 720,891 | 736,830 | 2.21% |
| NET POSITION | | | |
| Net investment in capital assets | 2,796,216 | 3,611,520 | 29.16% |
| Restricted | 8,047,613 | 7,466,221 | -7.22% |
| Unrestricted | (16,199,084) | (15,933,053) | 1.64% |
| TOTAL NET POSITION | \$ (5,355,255) | \$ (4,855,312) | 9.34% |

Durham Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Change in Net Position

The following table summarizes the change in net position for the District. Revenues exceeded the District's expenses for the year by \$499,943. The District's expenses are primarily related to educating and caring for students which make up 76.06% of all expenses. Administrative activities of the District account for 8.38% of the total costs.

| Years Ended June 30 | Governmental Activities | | Percentage |
|--------------------------------------|--------------------------------|-------------------|-------------------|
| | 2019 | 2020 | Change |
| | | | 2019-20 |
| REVENUES | | | |
| Program Revenues | | | |
| Charges for services | \$ 76,462 | \$ 235,014 | 207.36% |
| Operating grants and contributions | 1,552,604 | 2,077,488 | 33.81% |
| General Revenues | | | |
| Property taxes | 3,445,121 | 4,212,772 | 22.28% |
| Federal and state aid not restricted | 6,127,068 | 6,489,919 | 5.92% |
| Other | 325,982 | 513,281 | 57.46% |
| TOTAL REVENUES | 11,527,237 | 13,528,474 | 17.36% |
| EXPENSES | | | |
| Instruction | 6,814,730 | 7,060,915 | 3.61% |
| Instruction-related services | 1,055,579 | 1,121,302 | 6.23% |
| Pupil services | 1,695,106 | 1,726,683 | 1.86% |
| General administration | 865,120 | 1,091,740 | 26.20% |
| Plant services | 1,115,703 | 1,109,465 | -0.56% |
| Ancillary services | 177,885 | 149,980 | -15.69% |
| Interest on long-term debt | 239,496 | 240,132 | 0.27% |
| Other outgo | 362,935 | 528,314 | 45.57% |
| TOTAL EXPENSES | 12,326,554 | 13,028,531 | 5.69% |
| Change in Net Position | \$ (799,317) | \$ 499,943 | 162.55% |

Durham Unified School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Activities

- The District's total revenues were \$13,528,474. Most of the revenue (79.11%) comes from federal and state aid not restricted for specific programs and property taxes.
- The net cost of all governmental activities this year was \$10,716,029.

The following tables present the cost of major District activities. The tables also show each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's general revenues.

| June 30 | Total Cost of Services | | Percentage |
|------------------------------|------------------------|----------------------|-------------------|
| | 2019 | 2020 | Change 2019-20 |
| Instruction | \$ 6,814,730 | \$ 7,060,915 | 3.61% |
| Instruction-related services | 1,055,579 | 1,121,302 | 6.23% |
| Pupil services | 1,695,106 | 1,726,683 | 1.86% |
| General administration | 865,120 | 1,091,740 | 26.20% |
| Plant services | 1,115,703 | 1,109,465 | -0.56% |
| Ancillary services | 177,885 | 149,980 | -15.69% |
| Interest on long-term debt | 239,496 | 240,132 | 0.27% |
| Other outgo | 362,935 | 528,314 | 45.57% |
| Totals | \$ 12,326,554 | \$ 13,028,531 | 5.69% |

| June 30 | Net Cost of Services | | Percentage |
|------------------------------|----------------------|----------------------|-------------------|
| | 2019 | 2020 | Change 2019-20 |
| Instruction | \$ 5,959,256 | \$ 6,084,246 | 2.10% |
| Instruction-related services | 1,041,283 | 1,096,459 | 5.30% |
| Pupil services | 1,246,938 | 647,091 | -48.11% |
| General administration | 808,924 | 1,053,301 | 30.21% |
| Plant services | 1,078,129 | 1,101,688 | 2.19% |
| Ancillary services | 176,419 | 149,331 | -15.35% |
| Interest on long-term debt | 239,496 | 240,132 | 0.27% |
| Other outgo | 147,043 | 343,781 | 133.80% |
| Totals | \$ 10,697,488 | \$ 10,716,029 | 0.17% |

Durham Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Funds

The District's governmental funds reported a combined fund balance of \$8,066,598, a decrease of \$546,602 from the previous year. Following is a summary of the District's fund balances.

| June 30 | Fund Balance | | Increase (Decrease) |
|----------------------------------|---------------------|---------------------|--------------------------------|
| | 2019 | 2020 | |
| General | \$ 798,464 | \$ 906,799 | \$ 108,335 |
| Cafeteria Special Revenue | - | - | - |
| Pupil Transportation Equipment | 1,403 | 1,417 | 14 |
| Building | 6,855,000 | 5,635,902 | (1,219,098) |
| Capital Facilities | 295,256 | 440,255 | 144,999 |
| County School Facilities | 62,616 | 62,616 | - |
| Special Reserve Capital Projects | 66,068 | 67,593 | 1,525 |
| Bond Interest and Redemption | 449,034 | 869,453 | 420,419 |
| Debt Service | 385 | - | (385) |
| Foundation Permanent | 84,974 | 82,563 | (2,411) |
| Totals | \$ 8,613,200 | \$ 8,066,598 | \$ (546,602) |

The General Fund increase is due primarily to an increase in LCFF revenues and a decrease in material and supply expenses as a result of COVID-19 inhibiting in-person instruction.

The decrease in the Building Fund is due to various District-wide modernization and construction projects.

The increase in the Capital Facilities Fund is due to developer fee receipts exceeding current-year expenditures.

The increase in the Bond Interest and Redemption Fund is due to the collection of property taxes which will be used to service future debt payments.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on the Governor's May Revise. No later than 45 days after the state budget is adopted, school districts are required to make available for public review any revisions in revenues and expenditures that it makes to its budget to reflect the funding made available by the state budget. In addition, the District revises its budget at the first and second interim reporting periods. Budgeted revenues increased by approximately \$1,454,009 and budgeted expenditures increased by approximately \$1,288,969.

Durham Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The budget amendments for the year typically fell into the following categories:

- Adjustment of revenue to actual enrollment and ADA data.
- Changes to LCFF funding levels based upon revised factors such as the gap funding percentage.
- Increase in expenditures for staffing adjustments and bargaining unit settlements.
- Increase in capital outlay expenses related to one-time grants issued.
- Increase in estimated contributions to special education programs.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

Capital Assets

The District has invested \$6,411,379 in capital assets including land, construction in progress, improvements, buildings, and equipment.

| June 30 | Governmental Activities | | Percentage |
|--------------------------------|-------------------------|---------------------|-------------------|
| | 2019 | 2020 | Change 2019-20 |
| Land | \$ 215,131 | \$ 215,131 | 0.00% |
| Construction in progress | 109,019 | 1,053,142 | 866.02% |
| Site improvements | 5,711,337 | 5,711,337 | 0.00% |
| Buildings | 7,398,652 | 7,982,402 | 7.89% |
| Equipment | 1,763,510 | 2,446,649 | 38.74% |
| Subtotal | 15,197,649 | 17,408,661 | 14.55% |
| Less: Accumulated depreciation | 10,665,352 | 10,997,282 | 3.11% |
| Totals | \$ 4,532,297 | \$ 6,411,379 | 41.46% |

Construction in progress consists of the phase one modernization to HVAC and roofing. During the year, the District completed the greenhouse and a powdercoat booth for career technical education. The District also purchased two electric busses and various other miscellaneous equipment.

Durham Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Long-Term Debt

The District has \$22,219,957 in long-term debt as of June 30, 2020, an increase from the prior year due to changes in the net pension and total OPEB liabilities. The note payable decreased due to regularly scheduled debt payments.

On January 20, 2021, the District issued the Election of 2018, Series B general obligation bonds totaling \$9,000,000, at a premium of \$896,644. The District has no additional plans to incur debt during fiscal year 2020-21.

| June 30 | Governmental Activities | | Percentage |
|-------------------------------|-------------------------|----------------------|-------------------|
| | 2019 | 2020 | Change 2019-20 |
| Compensated absences | \$ 94,001 | \$ 76,643 | -18.47% |
| General obligation bonds | 7,000,000 | 7,000,000 | 0.00% |
| Bond issuance premiums | 531,636 | 487,877 | -8.23% |
| Direct borrowing note payable | 1,059,445 | 947,884 | -10.53% |
| Total OPEB obligation | 1,626,039 | 2,251,714 | 38.48% |
| Net pension liability | 10,376,161 | 11,455,839 | 10.41% |
| Totals | \$ 20,687,282 | \$ 22,219,957 | 7.41% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment has continued to steadily increase. Enrollment in 2019-20 has increased to 1,053 compared to 1,038 in 2018-19 and we expect to see enrollment slightly decrease to 2018-2019 levels going forward. It is important we carefully monitor our enrollment to react to unexpected variations and continue efforts to attract students to our schools.
- Health benefits, workers' compensation rates, and fuel and energy costs continue to escalate. In addition, the District's share of contributions to both CalSTRS and CalPERS have increased substantially and are expected to keep rising by 2% of total payroll each year for the next several years with no additional resources provided to absorb those costs. These increases in expenditure are likely to exceed the additional funding provided by the state each year.
- Mandated programs such as special education, special education transportation, food service and routine restricted maintenance continue to experience costs far in excess of program revenues which negatively impact the District's ability to fund other instructional programs.
- The District's student demographics are well below the threshold for additional concentration funding under the state's new LCFF model. Accordingly, the District's funding per ADA remains well below other comparable school districts.

Durham Unified School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

- In the event of an economic decline, the funding model for school districts could be significantly affected. It is important that the District continuously monitor the economic outlook. Due to the low reserve levels currently held by the District, instructional programs could be adversely affected by an economic decline.
- New legislation surrounding school start times and litigation opportunities could result in significant impacts to the District. Should the new school start times be enforced within the District, significant expenses related to supervision and transportation of students will adversely affect the District. The District is monitoring the situation closely and is actively planning surrounding the new legislation and how to address the needs of the District's population.

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. For questions regarding this report or for additional financial information, please contact:

Aimee Bealeu
Assistant Superintendent of Business and Operations
Durham Unified School District
9420 Putney Drive
Durham, CA 95938
(530) 895-4675

Basic Financial Statements

Durham Unified School District
STATEMENT OF NET POSITION

| | Governmental Activities |
|--|------------------------------------|
| June 30, 2020 | |
| ASSETS | |
| Cash and investments | \$ 8,207,787 |
| Accounts receivable | 15,074 |
| Due from other governments | 1,291,577 |
| Inventories | 12,481 |
| Nondepreciated capital assets | 1,268,273 |
| Depreciated capital assets | 16,140,388 |
| Accumulated depreciation | (10,997,282) |
| TOTAL ASSETS | 15,938,298 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources for OPEB | 231,313 |
| Deferred outflows of resources for pensions | 3,509,560 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,740,873 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 1,073,356 |
| Due to other governments | 479,867 |
| Advances from grantors | 24,473 |
| Long-term obligations: | |
| Due within one year | 544,880 |
| Due beyond one year | 21,675,077 |
| TOTAL LIABILITIES | 23,797,653 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources for pensions | 736,830 |
| NET POSITION | |
| Net investment in capital assets | 3,611,520 |
| Restricted for capital projects | 6,140,190 |
| Restricted for debt service | 869,453 |
| Restricted for educational programs | 374,015 |
| Restricted for other purposes (expendable) | 8,865 |
| Restricted for other purposes (nonexpendable) | 73,698 |
| Unrestricted | (15,933,053) |
| TOTAL NET POSITION | \$ (4,855,312) |

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

Durham Unified School District
STATEMENT OF ACTIVITIES

| Year Ended June 30, 2020 | Expenses | Program Revenues | | Net (Expense) |
|---|----------------------|----------------------|------------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Change in Net Position - Governmental Activities |
| FUNCTIONS/PROGRAMS | | | | |
| Primary Government | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 7,060,915 | \$ 103,360 | \$ 873,309 | \$ (6,084,246) |
| Instruction-related services | 1,121,302 | 342 | 24,501 | (1,096,459) |
| Pupil services | 1,726,683 | 107,168 | 972,424 | (647,091) |
| General administration | 1,091,740 | 5,467 | 32,972 | (1,053,301) |
| Plant services | 1,109,465 | - | 7,777 | (1,101,688) |
| Ancillary services | 149,980 | - | 649 | (149,331) |
| Other outgo | 528,314 | 18,677 | 165,856 | (343,781) |
| Interest on long-term debt | 240,132 | - | - | (240,132) |
| Total Governmental Activities | \$ 13,028,531 | \$ 235,014 | \$ 2,077,488 | (10,716,029) |
| GENERAL REVENUES | | | | |
| Property taxes - levied for general purposes | | | | 3,641,241 |
| Property taxes - levied for debt service | | | | 571,531 |
| Federal and state aid not restricted to specific purposes | | | | 6,489,919 |
| Unrestricted investment earnings | | | | 319,422 |
| Interagency revenues | | | | 28,000 |
| Miscellaneous | | | | 165,859 |
| TOTAL GENERAL REVENUES | | | | 11,215,972 |
| Change in Net Position | | | | 499,943 |
| Net Position - Beginning of Year | | | | (5,355,255) |
| Net Position - End of Year | | | | \$ (4,855,312) |

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

Durham Unified School District
BALANCE SHEET – GOVERNMENTAL FUNDS

| June 30, 2020 | General Fund | Building Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 638,981 | \$ 6,049,534 | \$ 1,519,272 | \$ 8,207,787 |
| Accounts receivable | 9,850 | - | 5,224 | 15,074 |
| Due from other governments | 1,253,073 | - | 38,504 | 1,291,577 |
| Due from other funds | 57,256 | - | 7,309 | 64,565 |
| Inventories | - | - | 12,481 | 12,481 |
| TOTAL ASSETS | \$ 1,959,160 | \$ 6,049,534 | \$ 1,582,790 | \$ 9,591,484 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable and other current liabilities | \$ 540,712 | \$ 413,632 | \$ 1,637 | \$ 955,981 |
| Due to other governments | 479,867 | - | - | 479,867 |
| Due to other funds | 7,309 | - | 57,256 | 64,565 |
| Advances from grantors | 24,473 | - | - | 24,473 |
| Total Liabilities | 1,052,361 | 413,632 | 58,893 | 1,524,886 |
| Fund Balances | | | | |
| Nonspendable | 2,500 | - | 86,679 | 89,179 |
| Restricted | 374,015 | 5,635,902 | 1,382,606 | 7,392,523 |
| Assigned | - | - | 67,593 | 67,593 |
| Unassigned | 530,284 | - | (12,981) | 517,303 |
| Total Fund Balances | 906,799 | 5,635,902 | 1,523,897 | 8,066,598 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,959,160 | \$ 6,049,534 | \$ 1,582,790 | \$ 9,591,484 |

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

Durham Unified School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2020

| | |
|---|---------------------|
| Total Fund Balances - Governmental Funds | \$ 8,066,598 |
|---|---------------------|

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

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

| | |
|-----------------------------------|---------------|
| Capital assets at historical cost | \$ 17,408,661 |
| Accumulated depreciation | (10,997,282) |

| | |
|-----------------------------------|------------------|
| Total Capital Assets - Net | 6,411,379 |
|-----------------------------------|------------------|

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

(117,375)

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

| | |
|-------------------------------|--------------|
| General obligation bonds | \$ 7,487,877 |
| Net pension liability | 11,455,839 |
| Total OPEB liability | 2,251,714 |
| Compensated absences | 76,643 |
| Direct borrowing note payable | 947,884 |

| | |
|------------------------------------|---------------------|
| Total Long-Term Liabilities | (22,219,957) |
|------------------------------------|---------------------|

| | |
|------------------------|-----------------------|
| Balance Forward | \$ (7,859,355) |
|------------------------|-----------------------|

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

Durham Unified School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION (Continued)

June 30, 2020

| | |
|--|-----------------------|
| Balance Brought Forward | \$ (7,859,355) |
| Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported: | |
| Deferred outflows of resources relating to pensions | 3,509,560 |
| Deferred inflows of resources relating to pensions | (736,830) |
| Deferred outflows and inflows of resources related 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 | 231,313 |
| Total Net Position - Governmental Activities | \$ (4,855,312) |

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

Durham Unified School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

| Year Ended June 30, 2020 | General Fund | Building Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|---------------------|--------------------------|--------------------------|
| Revenues | | | | |
| Property taxes | \$ 3,641,241 | \$ - | \$ 571,531 | \$ 4,212,772 |
| Local control funding formula sources | 5,952,023 | - | - | 5,952,023 |
| Other state revenue | 2,208,985 | - | 14,066 | 2,223,051 |
| Federal revenue | 554,292 | - | 193,086 | 747,378 |
| Other local revenue | 340,578 | 257,618 | 290,259 | 888,455 |
| Total Revenues | 12,697,119 | 257,618 | 1,068,942 | 14,023,679 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 6,990,118 | - | - | 6,990,118 |
| Instruction-related services | 1,015,760 | - | 3,729 | 1,019,489 |
| Pupil services | 1,767,890 | - | 366,322 | 2,134,212 |
| Ancillary services | 145,277 | - | - | 145,277 |
| General administration | 1,006,839 | - | 19,948 | 1,026,787 |
| Plant services | 860,032 | - | - | 860,032 |
| Transfers between agencies | 528,314 | - | - | 528,314 |
| Debt service: | | | | |
| Principal | 111,561 | - | - | 111,561 |
| Interest | - | - | 178,410 | 178,410 |
| Capital outlay | 99,365 | 1,476,716 | - | 1,576,081 |
| Total Expenditures | 12,525,156 | 1,476,716 | 568,409 | 14,570,281 |
| Excess (Deficiency) of Revenues Over Expenditures | 171,963 | (1,219,098) | 500,533 | (546,602) |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers in | - | - | 63,628 | 63,628 |
| Interfund transfers out | (63,628) | - | - | (63,628) |
| Total Other Financing Sources (Uses) | (63,628) | - | 63,628 | - |
| Net Change in Fund Balances | 108,335 | (1,219,098) | 564,161 | (546,602) |
| Fund Balances - Beginning of Year | 798,464 | 6,855,000 | 959,736 | 8,613,200 |
| Fund Balances - End of Year | \$ 906,799 | \$ 5,635,902 | \$ 1,523,897 | \$ 8,066,598 |

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

Durham Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

Year Ended June 30, 2020

| | |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (546,602) |
|---|---------------------|

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

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

| | |
|---------------------------------|--------------|
| Expenditures for capital outlay | \$ 2,328,470 |
| Depreciation expense | (449,388) |

| | |
|---------------------------|------------------|
| Net Capital Outlay | 1,879,082 |
|---------------------------|------------------|

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

111,561

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

(105,481)

| | |
|------------------------|---------------------|
| Balance Forward | \$ 1,338,560 |
|------------------------|---------------------|

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

Durham Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION (Continued)

Year Ended June 30, 2020

| | |
|--|--------------|
| Balance Brought Forward | \$ 1,338,560 |
| 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: | 17,358 |
| 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: | (476,014) |
| Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: | (423,720) |
| Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: | 43,759 |
| Change in Net Position of Governmental Activities | \$ 499,943 |

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

Durham Unified School District**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**

| June 30, 2020 | Foundation Private- Purpose Trust | | Agency |
|---------------------------------|---|---------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ | 267,893 | \$ 297,336 |
| Accounts receivable | | 979 | 286 |
| TOTAL ASSETS | | 268,872 | \$ 297,622 |
| LIABILITIES | | | |
| Accounts payable - scholarships | | 5,875 | \$ - |
| Due to student groups | | - | 297,622 |
| TOTAL LIABILITIES | | 5,875 | \$ 297,622 |
| NET POSITION | | | |
| Held in trust for scholarships | \$ | 262,997 | |

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

Durham Unified School District**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**

| Year Ended June 30, 2020 | Foundation Private- Purpose Trust |
|---|--|
| ADDITIONS | |
| Donations | \$ 9,271 |
| Investment earnings | 4,005 |
| TOTAL ADDITIONS | 13,276 |
| DEDUCTIONS | |
| Scholarships awarded | 6,375 |
| Change in Net Position | 6,901 |
| Net Position - Beginning of Year | 256,096 |
| Net Position - End of Year | \$ 262,997 |

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

1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected five-member board. The District operates one elementary school, one intermediate school, and one high school in Durham, California.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Fund Financial Statements Fund financial statements are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The funds of the District are described below.

Governmental Funds

General Fund The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).
2. Pupil Transportation Equipment Fund is used to account separately for state and local revenues received for the acquisition, rehabilitation, or replacement of equipment used to transport students (*California Education Code*, Section 41852[b]).

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bond (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).
3. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund 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 (*California Education Code*, Section 17070.10).
4. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

Debt Service Funds Funds that are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt.

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).
2. Debt Service Fund is used for the accumulation of resources for the retirement of principal and interest on long-term debt.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Permanent Funds

1. Foundation Permanent Fund is used to account for resources received from gifts or bequests that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's own programs (*California Education Code*, Section 41031).

Fiduciary Funds

Private-Purpose Trust Funds Funds that are used to account for assets held by the District as trustee pursuant to formal agreements with donors and under which neither principal nor income may be used for purposes that support the District's own programs. The Foundation Private-Purpose Trust Fund is used to account separately for gifts or bequests that provide scholarships to students of the District.

Agency Funds Funds that are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds:

General Fund
Building Fund

Nonmajor Governmental Funds:

Cafeteria Special Revenue Fund
Pupil Transportation Equipment Fund
Capital Facilities Fund
County School Facilities Fund
Special Reserve Capital Projects Fund
Bond Interest and Redemption Fund
Debt Service Fund
Foundation Permanent Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported 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.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures legally cannot exceed appropriations by major object account.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

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 and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Butte County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2020, the fair value of the County pool was 102.07% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during the year ended June 30, 2020, was \$147,896. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2020, was \$155,458.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2020. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2020. At June 30, 2020, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Inventories

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective-interest method. Bond premiums are presented as an increase in the face amount of the bonds payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if the actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

| | |
|-----------------------|-------|
| Buildings | 20-50 |
| Improvements of sites | 20-30 |
| Equipment | 5-20 |
| Vehicles | 8 |

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Advances From Grantors

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Advances from grantors are recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes 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 would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Statements Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable Fund Balance: Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

Committed Fund Balance: Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District's Board of Trustees.

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

Unassigned Fund Balance: Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts of 8% of General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment actions.

Local Control Funding Formula Grant and Property Tax

The District's local control funding formula (LCFF) grant is received from a combination of local property taxes and state apportionments.

Butte County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

Property taxes are recorded as LCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. 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 required to be used or the 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental funds – by character:
 - Current (further classified by function)
 - Debt service
 - Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Pensions

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

| June 30, 2020 | Maturities | Fair Value |
|---|-------------------|---------------------|
| Deposits (1) | | \$ 227,753 |
| Investments That Are Not Securities (2) | | |
| County treasurer's investment pool | 1.7 years average | 8,477,098 |
| Open-end mutual funds | | 68,165 |
| Subtotal | | 8,545,263 |
| Total Cash and Investments | | 8,773,016 |
| Less: Trust fund cash and investments | | 267,893 |
| Less: Agency fund cash and investments | | 297,336 |
| Total Cash and Investments Per Government-Wide Statement of Net Position | | \$ 8,207,787 |

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That Are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District's investment in the County investment pool is unrated.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2020:

- County treasurer's investment pool of \$8,477,098 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).
- Open-end mutual funds of \$68,165 are valued daily based on the closing market price in the active exchange markets (level 1 inputs).

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

| June 30, 2020 | General Fund | Other Governmental Funds |
|---------------|-----------------|--------------------------------|
| Interest | \$ 5,029 | \$ 5,224 |
| Other | 4,821 | - |
| Total | \$ 9,850 | \$ 5,224 |

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following:

| June 30, 2020 | General Fund | Other Governmental Funds |
|--------------------|---------------------|--------------------------------|
| Due From | | |
| Federal government | \$ 60,301 | \$ - |
| State government | 1,162,188 | - |
| Local governments | 30,584 | 38,504 |
| Total | \$ 1,253,073 | \$ 38,504 |

5. INTERFUND TRANSFERS AND BALANCES DUE TO/FROM OTHER FUNDS

Balances Due To/From Other Funds

Balances due to/from other funds in the fund financial statements are as follows:

| Due From Other Funds | Due to Other Funds | | |
|---------------------------|---------------------------|-----------|---------------|
| General | Cafeteria Special Revenue | \$ | 57,256 |
| Cafeteria Special Revenue | General | | 7,309 |
| Total | | \$ | 64,565 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The specific purposes of the balances due to/from other funds are as follows:

General Fund interfund receivable from the Cafeteria Special Revenue Fund for indirect costs and a temporary loan; and

Cafeteria Special Revenue Fund interfund receivable from the General Fund for a contribution from the General Fund.

Interfund Transfers

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

Interfund transfers are as follows:

| Interfund Transfer Out | | Interfund Transfer In | |
|-------------------------------|--|------------------------------|-----------|
| General | | Cafeteria Special Revenue | \$ 63,628 |

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no transfers that were not routine or inconsistent with the activities of the funds making the transfer.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

Capital assets activity is as follows:

| Year Ended June 30, 2020 | Beginning Balance | Additions | Deductions | Ending Balance |
|---|----------------------|---------------------|-------------------|---------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Nondepreciated Capital Assets | | | | |
| Land | \$ 215,131 | \$ - | \$ - | \$ 215,131 |
| Construction in progress | 109,019 | 1,198,240 | 254,117 | 1,053,142 |
| Total Nondepreciated Capital Assets | 324,150 | 1,198,240 | 254,117 | 1,268,273 |
| Depreciated Capital Assets | | | | |
| Buildings | 7,398,652 | 583,750 | - | 7,982,402 |
| Site improvements | 5,711,337 | - | - | 5,711,337 |
| Equipment and vehicles | 1,763,510 | 800,597 | 117,458 | 2,446,649 |
| Total Depreciated Capital Assets | 14,873,499 | 1,384,347 | 117,458 | 16,140,388 |
| Totals at Historical Cost | 15,197,649 | 2,582,587 | 371,575 | 17,408,661 |
| Less: Accumulated Depreciation | | | | |
| Buildings | 5,528,692 | 178,988 | - | 5,707,680 |
| Site improvements | 3,855,645 | 106,012 | - | 3,961,657 |
| Equipment and vehicles | 1,281,015 | 164,388 | 117,458 | 1,327,945 |
| Total Accumulated Depreciation | 10,665,352 | 449,388 | 117,458 | 10,997,282 |
| Total Depreciated Capital Assets - Net | 4,208,147 | 934,959 | - | 5,143,106 |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS - NET | \$ 4,532,297 | \$ 2,133,199 | \$ 254,117 | \$ 6,411,379 |

Depreciation expense was charged to governmental activities as follows:

| Year Ended June 30, 2020 | | |
|---|-----------|----------------|
| Governmental Activities | | |
| Instruction | \$ | 163,340 |
| Instructional-related services | | 18,673 |
| Pupil services | | 119,728 |
| General administration | | 4,989 |
| Plant services | | 142,658 |
| Total Depreciation Expense - Governmental Activities | \$ | 449,388 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

| June 30, 2020 | General Fund | Building Fund | Other Governmental Funds |
|-----------------------|-------------------|-------------------|--------------------------|
| Vendors | \$ 271,943 | \$ 413,157 | \$ 101 |
| Salaries and benefits | 267,275 | 79 | 1,480 |
| Other | 1,494 | 396 | 56 |
| Total | \$ 540,712 | \$ 413,632 | \$ 1,637 |

8. DUE TO OTHER GOVERNMENTS

Due to other governments consisted of the following:

| June 30, 2020 | General Fund |
|------------------|--------------|
| Due To | |
| State government | \$ 479,867 |

9. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

| Issue Date | Interest Rate | Maturity Date | Amount of Original Issue | Outstanding July 1, 2019 | Redeemed Current Year | Outstanding June 30, 2020 |
|------------|---------------|---------------|--------------------------|--------------------------|-----------------------|---------------------------|
| 2019 | 3.0-5.0% | 2048 | \$ 7,000,000 | \$ 7,000,000 | \$ - | \$ 7,000,000 |

The amount of interest cost incurred during the year ended June 30, 2020, was \$283,891, all of which was charged to expenses.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize the general obligation bonds payable are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|---------------------|---------------------|----------------------|
| 2021 | \$ 400,000 | \$ 273,700 | \$ 673,700 |
| 2022 | 300,000 | 259,700 | 559,700 |
| 2023 | - | 253,700 | 253,700 |
| 2024 | - | 253,700 | 253,700 |
| 2025 | - | 253,700 | 253,700 |
| 2026-2030 | 135,000 | 1,263,400 | 1,398,400 |
| 2031-2035 | 655,000 | 1,183,600 | 1,838,600 |
| 2036-2040 | 1,215,000 | 1,000,000 | 2,215,000 |
| 2041-2045 | 1,975,000 | 720,725 | 2,695,725 |
| 2046-2049 | 2,320,000 | 233,125 | 2,553,125 |
| Total | \$ 7,000,000 | \$ 5,695,350 | \$ 12,695,350 |

10. OPERATING LEASES

The District entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

| Year Ending June 30 | Lease Payments |
|---------------------|------------------|
| 2021 | \$ 36,033 |
| 2022 | 35,382 |
| 2023 | 21,178 |
| 2024 | 6,250 |
| Total | \$ 98,843 |

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$45,349 for the year ended June 30, 2020.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. DIRECT BORROWING NOTE PAYABLE

During 2016-17, the District entered into an agreement with the California Energy Resources Conservation and Development Commission for a loan up to \$2,000,000 to install solar photovoltaic panels. The loan was disbursed on a cost-reimbursement basis. The project was completed during 2017-18, and the District incurred reimbursable expenditures of \$1,282,507. The loan bears interest at 0% and is payable in semi-annual installments of \$55,766.

The note payable matures in 2029 as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|-------------------|-------------|-------------------|
| 2021 | \$ 111,531 | \$ - | \$ 111,531 |
| 2022 | 111,531 | - | 111,531 |
| 2023 | 111,531 | - | 111,531 |
| 2024 | 111,531 | - | 111,531 |
| 2025 | 111,531 | - | 111,531 |
| 2026-2029 | 390,229 | - | 390,229 |
| Total | \$ 947,884 | \$ - | \$ 947,884 |

12. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

| Year Ended June 30, 2020 | Beginning Balance | Additions | Deductions | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|---------------------|-------------------|----------------------|-----------------------------|
| Governmental Activities | | | | | |
| Compensated absences | \$ 94,001 | \$ - | \$ 17,358 | \$ 76,643 | \$ - |
| General obligation bonds | 7,000,000 | - | - | 7,000,000 | 400,000 |
| Bond issue premiums | 531,636 | - | 43,759 | 487,877 | 33,349 |
| Direct borrowing note payable | 1,059,445 | - | 111,561 | 947,884 | 111,531 |
| Total OPEB liability | 1,626,039 | 625,675 | - | 2,251,714 | - |
| Net pension liability | 10,376,161 | 1,079,678 | - | 11,455,839 | - |
| Total | \$ 20,687,282 | \$ 1,705,353 | \$ 172,678 | \$ 22,219,957 | \$ 544,880 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

| June 30, 2020 | General Fund | | Building Fund | Governmental Funds |
|--|-------------------|---------------------|---------------------|--------------------|
| Nonspendable | | | | |
| Reserved for: | | | | |
| Revolving cash | \$ 2,500 | \$ - | \$ 500 | |
| Inventories | - | - | 12,481 | |
| Principal portion of Foundation Permanent Fund | - | - | 73,698 | |
| Total Nonspendable | \$ 2,500 | \$ - | \$ 86,679 | |
| Restricted | | | | |
| Restricted for: | | | | |
| Federal and state categoricals | \$ 374,015 | \$ - | \$ - | |
| Capital projects | - | 5,635,902 | 502,871 | |
| Debt service | - | - | 869,453 | |
| Pupil transportation | - | - | 1,417 | |
| Music and library programs | - | - | 8,865 | |
| Total Restricted | \$ 374,015 | \$ 5,635,902 | \$ 1,382,606 | |
| Assigned | | | | |
| Capital projects | \$ - | \$ - | \$ 67,593 | |
| Unassigned | | | | |
| Designated for economic uncertainties | \$ 530,284 | \$ - | \$ - | |
| Unassigned | - | - | (12,981) | |
| Total Unassigned | \$ 530,284 | \$ - | \$ (12,981) | |

14. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Programs (BSSP), North Valley Schools Insurance Group (NVSIG), Self-Insured Schools of California – Property and Liability Program (SISC II), and Self-Insurance Schools of California – Health and Welfare Benefits Program (SISC III). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the District's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the District's future. However, if the pandemic continues, the disease could have a material adverse effect on the District's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the District's operations and financial performance.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Construction Project Commitments

Construction project commitments are as follows:

| | Remaining Construction Commitment |
|---|--|
| June 30, 2020 | |
| Modernization phase one – roof and HVAC | \$ 1,802,307 |

16. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

17. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

| | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|--|--------------------------------------|---|--|----------------------------|
| June 30, 2020 | | | | |
| CalSTRS State Teachers' Retirement Plan | \$ 8,128,440 | \$ 2,676,010 | \$ 689,818 | \$ 849,345 |
| CalPERS School Employer Pool | 3,327,399 | 833,550 | 47,012 | 754,493 |
| Total | \$ 11,455,839 | \$ 3,509,560 | \$ 736,830 | \$ 1,603,838 |

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.
- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 10.205% of their salary. The required employer contribution rate for fiscal year 2019-20 was 17.10% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2020, were \$797,998.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2020

| | |
|---|----------------------|
| District's proportionate share of the net pension liability | \$ 8,128,440 |
| State's proportionate share of the net pension liability associated with the District | 4,434,642 |
| Total | \$ 12,563,082 |

The District's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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 and the state, actuarially determined. At June 30, 2020, the District's proportion was 0.009%.

State Teachers' Retirement Law also requires the state to contribute 10.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code*, Section 22950.6 appropriated an additional \$2,246,000,000 from the state's General Fund for the 2018-19 fiscal year to be transferred to the Teachers' Retirement Fund to reduce school employers' contributions and unfunded liabilities for the 2019-20 and 2020-21 fiscal years. For the year ended June 30, 2020, the District recognized pension expense of \$121,330 and revenue of \$121,330 for support provided by the state. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 20,520 | \$ 228,896 |
| Net difference between projected and actual earnings on pension plan investments | - | 313,048 |
| Change in assumptions | 1,027,954 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 829,538 | 147,874 |
| District contributions subsequent to the measurement date | 797,998 | - |
| Total | \$ 2,676,010 | \$ 689,818 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The \$797,998 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | |
|---------------------|---------------------|
| 2021 | \$ 163,619 |
| 2022 | 94,442 |
| 2023 | 308,255 |
| 2024 | 394,067 |
| 2025 | 113,300 |
| Thereafter | 114,511 |
| Total | \$ 1,188,194 |

Actuarial Assumptions The total pension liability in the June 30, 2018, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

| | |
|-----------------------------------|------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Investment rate of return | 7.10% |
| Interest on accounts | 3.00% |
| Wage growth | 3.50% |
| Consumer price inflation | 2.75% |
| Post-retirement benefit increases | 2.00% simple |

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.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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) 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, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

| | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|---------------------------------|---|
| Asset Class | | |
| Global equity | 47% | 4.80% |
| Private equity | 13% | 6.30% |
| Real estate | 13% | 3.60% |
| Inflation sensitive | 4% | 3.30% |
| Fixed income | 12% | 1.30% |
| Risk mitigating strategies | 9% | 1.80% |
| Cash/liquidity | 2% | -0.40% |
| Total | 100% | |

Discount Rate 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 were made at statutory contribution rates in accordance with the rate increases pursuant to Chapter 47, Statutes of 2014 (AB 1469). Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|--------------------------------|--|--------------------------------|
| June 30, 2020 | | | |
| District's proportionate share of the net pension liability | \$ 12,103,920 | \$ 8,128,440 | \$ 4,832,010 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report* (CAFR).

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 7.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2019-20 fiscal year was 19.721%. The District's contributions to CalPERS for the fiscal year ended June 30, 2020, were \$329,826.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2020, the District reported a net pension liability of \$3,327,399 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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 school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.011417%.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$754,493. *California Government Code*, Section 20825.2 appropriated \$904,000,000 from the state's General Fund for fiscal year 2018-19 to be transferred to the Public Employees' Retirement Fund, to reduce school employers' contributions and unfunded liabilities for the 2019-20 through 2021-22 fiscal years. No amounts are recognized at the government-wide level for the year ended June 30, 2020, as the government-wide financial statements are reported based on the June 30, 2019 measurement date. Due to the timing of the state's contribution, these amounts will not be reflected in the CalPERS funded status until the June 30, 2020, measurement date. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 241,703 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 30,862 |
| Change in assumptions | 158,395 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 103,626 | 16,150 |
| District contributions subsequent to the measurement date | 329,826 | - |
| Total | \$ 833,550 | \$ 47,012 |

The \$329,826 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | | |
|---------------------|-----------|----------------|
| 2021 | \$ | 315,941 |
| 2022 | | 92,891 |
| 2023 | | 34,738 |
| 2024 | | 13,142 |
| Total | \$ | 456,712 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions The total pension liability in the June 30, 2018, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by entry age and service |
| Investment rate of return | 7.15% |

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

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.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

| Asset Class | Assumed Asset Allocation | Real Rate of Return | |
|------------------|--------------------------|---------------------|-----------|
| | | Years 1 - 10 | Years 11+ |
| Global equity | 50% | 4.80% | 5.98% |
| Fixed income | 28% | 1.00% | 2.62% |
| Inflation assets | 0% | 0.77% | 1.81% |
| Private equity | 8% | 6.30% | 7.23% |
| Real estate | 13% | 3.75% | 4.93% |
| Liquidity | 1% | 0.00% | -0.92% |
| Total | 100% | | |

Discount Rate The discount rate used to measure the total pension liability 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|------------------------|-------------------------------------|------------------------|
| June 30, 2020 | | | |
| District's proportionate share of the net pension liability | \$ 4,796,227 | \$ 3,327,399 | \$ 2,108,905 |

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

18. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2019-20 pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Benefits Provided

The District provides postemployment healthcare benefits to qualifying employees through a single-employer defined benefit healthcare plan administered by the District. The plan provides postemployment healthcare benefits to all certificated employees who retire from the District on or after attaining the age of 55 with at least twelve years of service in the District immediately prior to retirement, and at least ten years of CalSTRS full-time equivalent service. The certificated retiree may choose from three to ten years of benefits. The District will contribute a maximum of \$1,163 per month toward continuation of health insurance coverage for a three-year period or provide a reduced amount for each additional year of coverage to a maximum of \$485 per month for ten years.

The District also provides postemployment healthcare benefits to all classified employees who retire from the District on or after attaining age 55 and under the age of 65 with at least fifteen years of service prior to retirement, eight of which must be full-time. The District will contribute a maximum of \$969 per month toward continuation of health insurance coverage for a seven-year period or provide a reduced amount for each additional year of coverage to a maximum of \$678 per month for ten years.

The plan does not issue a separate stand-alone financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered

Employees covered by the benefit terms of the plan consisted of:

June 30, 2020

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 14 |
| Active plan members | 118 |
| Total | 132 |

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees. Currently, the District's policy is to contribute to the plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2020, the District contributed \$167,485 representing premium payments on behalf of retired employees.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Total OPEB Liability

The District's total OPEB liability for the plan is measured as the total OPEB liability, less the plan's fiduciary net position. The total OPEB liability of the plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2020. The June 30, 2020, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|----------------------|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2020 |
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Discount rate | 2.20% ⁽¹⁾ |
| Inflation | 2.25% |
| Salary increases | 3.00% |
| Healthcare cost trend rate | 6.00% ⁽²⁾ |

(1) Net of investment expenses, including inflation.

(2) For fiscal year 2020-21, decreasing 0.50% annually to an ultimate rate of 4.50% in 2023-24.

The mortality assumptions used in the June 30, 2020, valuation were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.20%. The discount rate is based on the Bond Buyer 20-bond General Obligation Bond Index as of June 30, 2020.

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

| | |
|---|--------------|
| Year Ended June 30, 2020 | |
| Total OPEB Liability | |
| Service cost | \$ 107,707 |
| Interest | 57,750 |
| Changes of benefit terms | 388,975 |
| Difference between expected and actual experience | 71,618 |
| Changes of assumptions | 167,110 |
| Benefit payments - including refunds of employee contributions | (167,485) |
| Net Change in Total OPEB Liability | 625,675 |
| Total OPEB Liability - Beginning of Year | 1,626,039 |
| Total OPEB Liability - End of Year | \$ 2,251,714 |
| Covered-employee payroll | \$ 6,220,721 |
| District's total OPEB liability as a percentage of covered-employee payroll | 36.20% |

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

The following presents the District's total OPEB liability calculated using the discount rate of 2.20%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

| | 1% Decrease (1.20%) | Current Discount Rate (2.20%) | 1% Increase (3.20%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| June 30, 2020 | | | |
| Total OPEB liability | \$ 2,356,238 | \$ 2,251,714 | \$ 2,151,213 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

| | 1% Decrease (5.00% decreasing to 3.50%) | Health Cost Trend Rates (6.00% decreasing to 4.50%) | 1% Increase (7.00% decreasing to 5.50%) |
|----------------------|---|--|---|
| June 30, 2020 | | | |
| Total OPEB liability | \$ 2,204,420 | \$ 2,251,714 | \$ 2,304,376 |

Durham Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$591,155. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 61,387 | \$ - |
| Change in assumptions | 169,926 | - |
| Total | \$ 231,313 | \$ - |

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

Year Ending June 30

| | |
|--------------|-------------------|
| 2021 | \$ 36,773 |
| 2022 | 36,773 |
| 2023 | 36,773 |
| 2024 | 36,773 |
| 2025 | 36,773 |
| Thereafter | 47,448 |
| Total | \$ 231,313 |

20. SUBSEQUENT EVENTS

General Obligation Bonds

On January 20, 2021, the District issued the Election of 2018, Series B general obligation bonds totaling \$9,000,000, at a premium of \$896,644. The issuance consisted of current interest bonds with interest rates ranging from 3.00% to 4.00%. The bonds mature through August 1, 2050.

Temporary Loan

On March 17, 2021, the District entered into an agreement with the Butte County Treasurer for a temporary loan of \$972,524 to be received by April 26, 2021. The purpose of the temporary loan is to bridge cash flow related to fiscal year 2020-21 principal apportionment deferrals, and will be repaid upon receipt of funds during 2021-22. The loan bears interest at the rate of the county pool earnings plus 0.15%.

21. FUTURE GASB IMPLEMENTATION

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2020, will have on the District's financial statements, if any.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2021, will have on the District's financial statements, if any.

Required Supplementary Information

Durham Unified School District

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

| Year Ended June 30, 2020 | Budgeted Amounts | | Actual Amounts GAAP Basis | Variance With Final Budget - Positive (Negative) |
|--|-------------------|-------------------|---------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 3,275,069 | \$ 3,438,438 | \$ 3,641,241 | \$ 202,803 |
| Local control funding formula sources | 6,226,405 | 6,140,754 | 5,952,023 | (188,731) |
| Other state revenue | 1,114,252 | 2,053,341 | 2,208,985 | 155,644 |
| Federal revenue | 253,163 | 568,140 | 554,292 | (13,848) |
| Other local revenue | 288,173 | 410,398 | 340,578 | (69,820) |
| Total Revenues | 11,157,062 | 12,611,071 | 12,697,119 | 86,048 |
| Expenditures | | | | |
| Certificated salaries | 4,987,840 | 4,872,129 | 4,866,020 | 6,109 |
| Classified salaries | 1,576,404 | 1,583,639 | 1,601,246 | (17,607) |
| Employee benefits | 3,016,286 | 3,060,584 | 3,254,193 | (193,609) |
| Books and supplies | 452,616 | 513,306 | 372,896 | 140,410 |
| Services and other operating | 668,908 | 923,985 | 958,111 | (34,126) |
| Capital outlay | 87,641 | 995,477 | 851,568 | 143,909 |
| Other outgo | 335,385 | 464,929 | 509,561 | (44,632) |
| Debt service: | | | | |
| Principal | 111,531 | 111,531 | 111,561 | (30) |
| Total Expenditures | 11,236,611 | 12,525,580 | 12,525,156 | 424 |
| Excess (Deficiency) of Revenues Over Expenditures | (79,549) | 85,491 | 171,963 | 86,472 |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers in | 31,500 | 53,000 | - | (53,000) |
| Interfund transfers out | (45,852) | (80,930) | (63,628) | 17,302 |
| Total Other Financing Sources (Uses) | (14,352) | (27,930) | (63,628) | (35,698) |
| Net Change in Fund Balances | (93,901) | 57,561 | 108,335 | 50,774 |
| Fund Balances - Beginning of Year | 798,464 | 798,464 | 798,464 | - |
| Fund Balances - End of Year | \$ 704,563 | \$ 856,025 | \$ 906,799 | \$ 50,774 |

See the accompanying notes to this budgetary comparison schedule.

Durham Unified School District

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts a budget for the General Fund of the District. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by the following amounts:

| June 30, 2020 | General Fund |
|------------------------------|--------------|
| Classified salaries | \$ 17,607 |
| Employee benefits | \$ 193,609 |
| Services and other operating | \$ 34,126 |
| Other outgo | \$ 44,632 |
| Debt service - principal | \$ 30 |

These excess expenditures were offset by greater than anticipated revenues and unexpended appropriations in other categories.

Durham Unified School District

SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

| Years Ended June 30 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Total OPEB Liability | | | |
| Service cost | \$ 107,707 | \$ 83,880 | \$ 81,635 |
| Interest | 57,750 | 53,860 | 56,184 |
| Changes of benefit terms | 388,975 | - | - |
| Difference between expected and actual experience | 71,618 | - | - |
| Changes of assumptions | 167,110 | 32,027 | - |
| Benefit payments - including refunds of employee contributions | (167,485) | (81,287) | (78,161) |
| Net Change In Total OPEB Liability | 625,675 | 88,480 | 59,658 |
| Total OPEB Liability - Beginning of Year | 1,626,039 | 1,537,559 | 1,477,901 |
| Total OPEB Liability - End of Year | 2,251,714 | 1,626,039 | 1,537,559 |
| Covered-employee payroll | \$ 6,220,721 | \$ 6,646,380 | \$ 6,165,445 |
| District's total OPEB liability as a percentage of covered-employee payroll | 36.20% | 24.47% | 24.94% |

See the accompanying notes to the required supplementary information.

Durham Unified School District
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB

| Years Ended June 30 | 2020 | | 2019 | | 2018 |
|---|-------------|-----------|-------------|-----------|--------------|
| Contractually determined contributions | \$ | 167,485 | \$ | 81,287 | \$ 78,161 |
| Contributions in relation to the contractually determined contributions | | (167,485) | | (81,287) | (78,161) |
| Contribution Deficiency (Excess) | \$ | - | \$ | - | \$ - |
| Covered-employee payroll | \$ | 6,220,721 | \$ | 6,646,380 | \$ 6,165,445 |
| Contributions as a percentage of covered-employee payroll | | 2.69% | | 1.22% | 1.27% |

See the accompanying notes to the required supplementary information.

Durham Unified School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

| Years Ended June 30 | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|--|--------|------------|--------|------------|--------|------------|--------|------------|--------|-----------|--------|-----------|
| District's proportion of the net pension liability (asset) | 0.009% | | 0.008% | | 0.008% | | 0.008% | | 0.009% | | 0.009% | |
| District's proportionate share of the net pension liability (asset) | \$ | 8,128,440 | \$ | 7,352,560 | \$ | 7,398,400 | \$ | 6,470,480 | \$ | 6,059,160 | \$ | 5,259,330 |
| State's proportionate share of the net pension liability (asset) associated with the District | | 4,434,642 | | 4,209,705 | | 4,376,867 | | 3,684,071 | | 3,204,619 | | 3,811,011 |
| Total | \$ | 12,563,082 | \$ | 11,562,265 | \$ | 11,775,267 | \$ | 10,154,551 | \$ | 9,263,779 | \$ | 9,070,341 |
| District's covered-employee payroll | \$ | 4,804,846 | \$ | 4,411,635 | \$ | 4,536,769 | \$ | 4,595,807 | \$ | 4,349,414 | \$ | 4,191,737 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | | 169.17% | | 166.66% | | 163.08% | | 140.79% | | 139.31% | | 125.47% |
| Plan fiduciary net position as a percentage of the total pension liability | | 72.60% | | 70.99% | | 69.46% | | 70.04% | | 74.02% | | 76.52% |

See the accompanying notes to the required supplementary information.

Durham Unified School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

| Years Ended June 30 | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|--|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| Contractually required contribution | \$ | 797,998 | \$ | 782,229 | \$ | 636,599 | \$ | 554,420 | \$ | 456,417 | \$ | 365,556 |
| Contributions in relation to the contractually required contribution | | (797,998) | | (782,229) | | (636,599) | | (554,420) | | (456,417) | | (365,556) |
| Contribution Deficiency (Excess) | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| District's covered-employee payroll | \$ | 4,804,846 | \$ | 4,411,635 | \$ | 4,536,769 | \$ | 4,595,807 | \$ | 4,349,414 | \$ | 4,191,737 |
| Contributions as a percentage of covered-employee payroll | | 16.61% | | 17.73% | | 14.03% | | 12.06% | | 10.49% | | 8.72% |

See the accompanying notes to the required supplementary information.

Durham Unified School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

| Years Ended June 30 | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|---|-----------|-----------|----------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|
| District's proportion of the net pension liability (asset) | 0.011417% | | 0.01134% | | 0.0113% | | 0.0103% | | 0.0108% | | 0.0109% | |
| District's proportionate share of the net pension liability (asset) | \$ | 3,327,399 | \$ | 3,023,601 | \$ | 2,685,672 | \$ | 2,034,256 | \$ | 1,591,931 | \$ | 1,237,415 |
| District's covered-employee payroll | \$ | 1,581,735 | \$ | 1,492,119 | \$ | 1,628,677 | \$ | 1,548,901 | \$ | 1,361,382 | \$ | 1,299,575 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 210.36% | | 202.64% | | 164.90% | | 131.34% | | 116.93% | | 95.22% | |
| Plan fiduciary net position as a percentage of the total pension liability | 70.00% | | 70.85% | | 71.90% | | 73.90% | | 79.40% | | 83.50% | |

See the accompanying notes to the required supplementary information.

Durham Unified School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

| Years Ended June 30 | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|--|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| Contractually required contribution | \$ | 329,826 | \$ | 285,693 | \$ | 231,741 | \$ | 200,379 | \$ | 144,487 | \$ | 140,928 |
| Contributions in relation to the contractually required contribution | | (329,826) | | (285,693) | | (231,741) | | (200,379) | | (144,487) | | (140,928) |
| Contribution Deficiency (Excess) | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| District's covered-employee payroll | \$ | 1,581,735 | \$ | 1,492,119 | \$ | 1,628,677 | \$ | 1,548,901 | \$ | 1,361,382 | \$ | 1,299,575 |
| Contributions as a percentage of covered-employee payroll | | 20.85% | | 19.15% | | 14.23% | | 12.94% | | 10.61% | | 10.84% |

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**Changes in Benefit Terms**

Effective July 1, 2018, the District increased caps for retirees based on the employee's elected years of coverage. Previously, for eligible certificated employees, the District contributed a maximum of \$720 per month for a five-year period or a reduced amount for each additional year of coverage to a maximum of \$360 per month for ten years. Previously, for eligible classified employees, the District contributed a maximum of \$720 per month for a seven-year period or a reduced amount for each additional year of coverage to a maximum of \$505 per month for ten years. In the June 30, 2020, valuation, the new caps were reflected. For eligible certificated employees, the District contributes a maximum of \$1,163 per month for a three-year period or a reduced amount for each additional year of coverage to a maximum of \$485 per month for ten years. For eligible classified employees, the District contributes a maximum of \$969 per month for a seven-year period or a reduced amount for each additional year of coverage to a maximum of \$678 per month for ten years.

Changes in Assumptions

For the measurement period ended June 30, 2020, the discount rate decreased from 3.50% to 2.20% to reflect changes in the Bond Buyer 20-bond General Obligation index as of June 30, 2020. The healthcare trend rates were increased from 4.00% annually to an initial rate of 6.00% decreasing to 4.50% over a three-year period. The inflation rate decreased from 2.75% to 2.25%, and salary increase projections increased from 2.75% to 3.00%.

Assets to Pay Related Benefits

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as of June 30, 2020.

2. CHANGES OF BENEFIT TERMS**California State Teachers' Retirement System**

There were no significant changes of benefit terms during the measurement period ended June 30, 2019.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2019.

Durham Unified School District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

3. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2019.

California Public Employees' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2019.

OTHER SUPPLEMENTARY INFORMATION SECTION

Durham Unified School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2020

The Durham Unified School District is located in Butte County and was established in 1922. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, one intermediate school, and one high school.

GOVERNING BOARD

| Name | Office | Term Expires |
|---------------|---------------|---------------------|
| Alex Dubose | President | 2020 |
| Ed McLaughlin | Clerk | 2020 |
| Matt Thorpe | Member | 2020 |
| Kathy Horn | Member | 2020 |
| Lance Smith | Member | 2022 |

ADMINISTRATION

Joanne Parsley
Interim Superintendent

RJ Anderson
Assistant Superintendent

Durham Unified School District**SCHEDULE OF CHARTER SCHOOLS****Year Ended June 30, 2020**

The District is not the sponsoring local educational agency for any charter schools.

See the accompanying notes to the supplementary information.

Durham Unified School District
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2020

| | Originally Reported | | Final | |
|--|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| | Second Period Report | Annual Report | Second Period Report | Annual Report |
| ELEMENTARY | | | | |
| Regular ADA* | | | | |
| Transitional kindergarten/ kindergarten through grade 3 | 300 | 300 | 299 | 299 |
| Grades 4 through 6 | 243 | 243 | 243 | 243 |
| Grades 7 through 8 | 160 | 160 | 160 | 160 |
| ELEMENTARY TOTALS | 703 | 703 | 702 | 702 |
| HIGH SCHOOL | | | | |
| Regular ADA** | | | | |
| Grades 9 through 12 | 301 | 301 | 301 | 301 |
| ADA Totals | 1,004 | 1,004 | 1,003 | 1,003 |

** Includes opportunity classes, home and hospital, and special day classes.*

***Includes opportunity classes, home and hospital, special day classes, and continuation education.*

See the accompanying note to the other supplementary information.

Durham Unified School District**SCHEDULE OF INSTRUCTIONAL TIME**

Year Ended June 30, 2020

| | Minutes Requirement | 2019-20 Actual Minutes | Traditional Calendar Days | Multitrack Calendar Days | Status |
|--------------|--------------------------------|---------------------------------------|--|---|---------------|
| Kindergarten | 36,000 | 36,000 | 180 | N/A | Complied |
| Grade 1 | 50,400 | 54,180 | 180 | N/A | Complied |
| Grade 2 | 50,400 | 54,180 | 180 | N/A | Complied |
| Grade 3 | 50,400 | 54,180 | 180 | N/A | Complied |
| Grade 4 | 54,000 | 55,800 | 180 | N/A | Complied |
| Grade 5 | 54,000 | 55,800 | 180 | N/A | Complied |
| Grade 6 | 54,000 | 56,270 | 180 | N/A | Complied |
| Grade 7 | 54,000 | 56,270 | 180 | N/A | Complied |
| Grade 8 | 54,000 | 56,270 | 180 | N/A | Complied |
| Grade 9 | 64,800 | 65,280 | 180 | N/A | Complied |
| Grade 10 | 64,800 | 65,280 | 180 | N/A | Complied |
| Grade 11 | 64,800 | 65,280 | 180 | N/A | Complied |
| Grade 12 | 64,800 | 65,280 | 180 | N/A | Complied |

See the accompanying note to the other supplementary information.

Durham Unified School District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

| Years Ended June 30 | (Budget) 2021 | 2020 | 2019 | 2018 |
|---|---------------------|-------------------|-------------------|-------------------|
| General Fund | | | | |
| Revenues and other financial sources | \$ 12,386,091 | \$ 12,697,119 | \$ 11,747,070 | \$ 10,659,342 |
| Expenditures | 12,022,163 | 12,525,156 | 11,847,895 | 10,853,950 |
| Other uses and transfers out | 51,352 | 63,628 | 66,944 | 32,256 |
| Total Outgo | 12,073,515 | 12,588,784 | 11,914,839 | 10,886,206 |
| Change in Fund Balance | 312,576 | 108,335 | (167,769) | (226,864) |
| Ending Fund Balance | \$ 1,219,375 | \$ 906,799 | \$ 798,464 | \$ 966,233 |
| Available reserves | \$ 719,362 | \$ 530,284 | \$ 497,019 | \$ 655,105 |
| Designated for economic uncertainties | \$ 719,362 | \$ 530,284 | \$ 497,019 | \$ 655,105 |
| Undesignated fund balance | \$ - | \$ - | \$ - | \$ - |
| Available reserves as a percentage of total outgo | 5.96% | 4.21% | 4.17% | 6.02% |
| Total long-term debt | \$ 21,675,077 | \$ 22,219,957 | \$ 20,687,282 | \$ 12,873,798 |
| Average daily attendance at P-2 | 1,003 | 1,003 | 999 | 966 |

The General Fund balance has decreased by \$59,434 over the past two years. The fiscal year 2020-21 budget projects an increase of \$312,576 (34.5%). For a district this size, the state recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years and anticipates incurring an operating surplus during the 2020-21 fiscal year. Total long-term debt has increased by \$9,346,159 over the past two years.

Average daily attendance (ADA) has increased by 37 over the past two years. No additional growth in ADA is anticipated during fiscal year 2020-21.

See the accompanying note to the other supplementary information.

Durham Unified School District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS Year Ended June 30, 2020

| | Building Fund | | Capital Facilities Fund | | Bond Interest and Redemption Fund | |
|--|--------------------------|-----------|--|---------|--|---------|
| Annual Financial and Budget Report Fund Balances | \$ | 5,921,997 | \$ | 432,554 | \$ | 851,888 |
| Adjustments Increasing (Decreasing) the Fund Balances | | | | | | |
| Understatement of cash and investments | | 122,630 | | 7,701 | | 17,565 |
| Understatement of accounts payable | | (408,725) | | - | | - |
| Net Adjustments | | (286,095) | | 7,701 | | 17,565 |
| Audited Financial Statements Fund Balances | \$ | 5,635,902 | \$ | 440,255 | \$ | 869,453 |

See the accompanying note to the other supplementary information.

Durham Unified School District

NOTE TO THE OTHER SUPPLEMENTARY INFORMATION

PURPOSE OF SCHEDULES

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District met or exceeded its local control funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46208.

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.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

OTHER REPORTS SECTION

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

To the Board of Trustees
Durham Unified School District
Durham, California

We have audited, 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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Durham Unified School District (the District) as of and for the year ended June 30, 2020; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated March 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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; and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be significant deficiencies.

**INDEPENDENT AUDITORS' 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**

(Continued)

Compliance and Other Matters

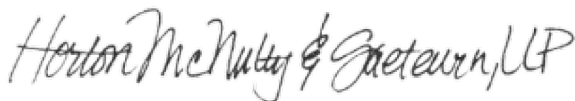
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District's Response to Findings

The District's response to the findings identified in our audit is 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.



March 25, 2021
Chico, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Durham Unified School District
Durham, California

Compliance

We have audited the Durham Unified School District's (the District) compliance with the types of state compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2020. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

| June 30, 2020 | Procedures Performed |
|---|-------------------------|
| Attendance | Yes |
| Teacher certification and misassignments | Yes |
| Kindergarten continuance | Yes |
| Independent study | No |
| Continuation education | No |
| Instructional time | Yes |
| Instructional materials | Yes |
| Ratios of administrative employees to teachers | Yes |
| Classroom teacher salaries | Yes |
| Early retirement incentive | No |
| Gann limit calculation | Yes |
| School accountability report card | Yes |
| Juvenile court schools | Not applicable |
| Middle or early college high schools | Not applicable |
| K-3 grade span adjustment | Yes |
| Transportation maintenance of effort | Yes |
| Apprenticeship: Related and supplemental instruction | No |
| Comprehensive school safety plan | Yes |
| District of choice | No |
| California Clean Energy Jobs Act | Yes |
| After/Before school education and safety program: | |
| After school | No |
| Before school | No |
| General requirements | No |
| 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 |
| Charter schools: | |
| Attendance | No |
| Mode of instruction | No |
| Nonclassroom-based instruction/independent study | No |
| Determination of funding for nonclassroom-based instruction | No |
| Annual instructional minutes - classroom based | No |
| Charter school facility grant program | No |

Testing was not performed for independent study because the ADA for this program was below the level which requires testing. District of choice steps 2 and 3 were not performed because the board of the District did not elect to operate as a school district of choice.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Since the District did not participate in the following programs during 2019-20, all steps related to them were not performed:

- Continuation education
- Early retirement incentive
- Apprenticeship: Related and supplemental instruction
- After/Before school education and safety program
- Independent study-course based

Since the District did not sponsor any charter schools during 2019-20, all steps related to the following were not performed:

- Attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes - classroom based
- Charter school facility grant program

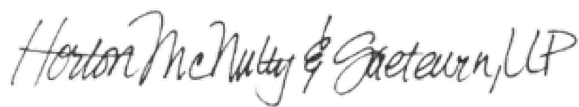
Opinion on State Compliance

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the state compliance requirements referred to above that are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, which are described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is 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 compliance and, accordingly, we express no opinion on the response.



March 25, 2021
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Durham Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

SECTION I

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

| | |
|--|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Are any material weaknesses identified? | No |
| Are any significant deficiencies identified? | Yes |
| Is any noncompliance material to financial statements noted? | No |

STATE AWARDS

| | |
|---|---------------|
| Compliance over state programs: | |
| Are any material weaknesses identified? | No |
| Are any significant deficiencies identified? | None reported |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

Durham Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

(Continued)

SECTION II FINDINGS

FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body)

30000 (2020-001)

Significant Deficiency

Condition During our testing of student body accounts, we noted the following:

Cash Receipts

1. Two of the six deposits tested at Durham High School were related to school events. No pre-numbered tickets or tally sheets were used for these events. In addition, we were unable to verify cash was double-counted prior to leaving the events.

Cash Disbursements

2. Supporting documentation for one out of six disbursements at Durham High School could not be located.
3. All disbursements tested at Durham Elementary and Durham Intermediate Schools were approved after purchase. This includes all 10 items tested across the two sites, and appears to be a pervasive issue.
4. One of six disbursements tested at Durham High School did not have approval support.
5. Four of four disbursements tested at Durham Elementary School only included a District official signature.
6. Durham Intermediate School and Durham High School student groups operated without budgets in place.
7. One of six disbursements at Durham Intermediate School related to a disbursement for shared ticket sales with a cooperating organization; however, there was no clear link between the amount of funds collected versus the amount disbursed to the outside organization.

This is a repeat finding of item 2019-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

Criteria Internal control procedures should be implemented to ensure that:

1. Pre-numbered tickets or tally sheets are used for events, and reconciled to the deposit.
2. Cash is counted by two signers. For events, this should be documented prior to leaving the event.
3. Cash disbursements should be approved by all required parties prior to incurring expenses. For unorganized student body accounts, this includes the advisor and District official. For organized student body accounts, the student council representative's approval must also be obtained.
4. Cash disbursements documentation is maintained.
5. Budgets are required for organized student body programs.

Durham Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

(Continued)

Effect Without strengthening internal controls over cash receipts and disbursements, student body assets may not be properly safeguarded and expended for valid student body purposes.

Cause During a period of staff shortages and turnover, established policies and procedures were not followed.

Recommendation We recommend that procedures be implemented to strengthen internal controls over student body funds and accounting records.

Response The District's administration will adopt procedures during the 2020-21 fiscal year to comply with the recommendations.

Durham Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

(Continued)

SECTION III FINDINGS

FEDERAL AWARDS AUDIT

None.

Durham Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

(Continued)

SECTION IV FINDINGS

STATE AWARDS AUDIT

STATE COMPLIANCE (Kindergarten Continuance)

40000 (2020-002)

State Compliance

Condition One pupil who turned six years old by September 1, 2019, continued in kindergarten during 2019-20 after completing one school year of transitional kindergarten and did not have on file a signed Kindergarten Continuance Form or a signed alternative kindergarten continuance parental agreement, approved in form and content by the California Department of Education (CDE).

Criteria Pursuant to *California Education Code*, Section 46300(g)(1), attendance of pupils in kindergarten after they have completed one school year in kindergarten or transitional kindergarten, should only be included if one of the following conditions is met:

- 1) The District has on file for each of the pupils an agreement made pursuant to *California Education Code*, Section 48011, signed by the pupil's parent or guardian, and approved in form and content by the CDE, allowing the student to continue in kindergarten for not more than one additional year; or
- 2) The pupils participated in transitional kindergarten in the prior year in accordance with *California Education Code*, Section 48000(c).

Effect The District was not in compliance with the provisions of *California Education Code*, Section 46300(g)(1). Average daily attendance (ADA) for the Second Period and Annual report of attendance was overstated by 0.98 ADA for this pupil. Due to the overstatement of 0.98 ADA in the Second Period Report of School District Attendance, the principal apportionment for 2019-20 is overstated by \$9,043. We took the derived value of grade span TK-3 ADA and multiplied by 0.98 ADA. The District is required to return the funding totaling \$9,043 from the principal apportionment to the California Department of Education.

Cause A process was not in place to obtain a signed Kindergarten Continuance Form or a signed alternative kindergarten continuance parental agreement, for age-eligible kindergarteners that attended transitional kindergarten in the prior year and then continued into kindergarten in the current year.

Recommendation We recommend that both the Second Period and Annual report of attendance be amended for the disallowed ADA noted above. We also recommend that the District adopt procedures to ensure that a signed Kindergarten Continuance Form or a signed alternative kindergarten continuance parental agreement, approved in form and content by the CDE, is obtained prior to continuing pupils in kindergarten after the pupils have completed one school year of kindergarten or transitional kindergarten, unless eligible for continuance in accordance with criteria two above.

Response The District's administration will adopt procedures during fiscal year 2020-21 to comply with the recommendation.

Durham Unified School District

CORRECTIVE ACTION PLAN

June 30, 2020

Not applicable: there are no current-year findings related to federal awards.

Durham Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

INTERNAL CONTROL (Student Body)

30000 (2019-001)

Significant Deficiency

Condition During our testing of student body accounts, we noted the following:

Cash Receipts

1. Four of six deposits tested at Durham High School, three of six deposits tested at Durham Intermediate School, and three of four deposits tested at Durham Elementary School were not made in a timely manner, or supporting documents were not available for such determination.
2. One of six deposits tested at Durham High School was not deposited to the student group to which it was intended.
3. Two of the six deposits tested at Durham Intermediate School were related to school events. No pre-numbered tickets or tally sheets were used for these events. In addition, we were unable to verify cash was double-counted prior to leaving the events.

Cash Disbursements

4. Two of six disbursements tested at Durham High School were for questionable expenses. Student body funds were used for building maintenance. One of six disbursements tested at Durham Intermediate School was for a questionable expense. Student body funds were used to purchase instructional equipment.
5. A student group at Durham High School took out a loan without appropriate board policies in place or board approval.
6. Two of six disbursements tested at Durham High School did not include a second signature on the check.
7. Supporting documentation for one out of six disbursements at Durham High School could not be located.
8. Three of fifty-two organizations with balances at Durham High School were determined to be inactive without a policy for disposing of the funds.
9. Disbursements at all sites were approved after purchase. This includes all 16 items tested across the sites, and appears to be a pervasive issue.
10. Durham Intermediate School and Durham High School student groups operated without budgets in place.

This is a repeat finding of item 2018-002 that was reported in the previous year.

Durham Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

Criteria Internal control procedures should be implemented to ensure that:

1. All deposits are made on a timely basis, and appropriate documentation to support when the funds were received is maintained.
2. Funds are credited into the intended student body group.
3. Pre-numbered tickets or tally sheets are used for events, and reconciled to the deposit.
4. Cash is counted by two signers. For events, this should be documented prior to leaving the event.
5. Disbursements are made for allowable student body purposes. Student body funds should be expended to promote the students' general welfare, morale, and educational experiences.
6. Loans to a student group are supported by a District governing board policy allowing the loan.
7. Checks written out of the student body account include two authorized signatures.
8. Cash disbursements documentation is maintained.
9. Policies are in place and followed for inactive funds, such as moving funds to the general student body group at the same school site.
10. Cash disbursements should be approved by all required parties prior to incurring expenses. For unorganized student body accounts, this includes the advisor and District official. For organized student body accounts, the student council representative's approval must also be obtained.
11. Budgets are required for organized student body programs.

Effect Without strengthening internal controls over cash receipts and disbursements, student body assets may not be properly safeguarded and expended for valid student body purposes.

Cause During a period of staff shortages and turnover, established policies and procedures were not followed.

Recommendation We recommend that procedures be implemented and followed to strengthen internal controls over student body funds and accounting records.

Current Status See current-year finding in the schedule of findings and questioned costs (item 2020-001).

Durham Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

(Continued)

STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)

40000 (2019-002)

State Compliance

Condition Pursuant to the Governor's 2019-20 Education Trailer Bill Section 72, for the 2018-19 school year, to the extent that a pupil was made homeless because of the Camp Fire, the pupil may be counted as an unduplicated pupil based on categorical eligibility for the National School Lunch Program for purposes of funding through the local control funding formula pursuant to Sections 2574 and 42238.02 of the *California Education Code*, through an audit finding, consistent with the procedures established pursuant to Section 42238.02.

The District identified 35 pupils that met this criteria. We selected a random sample of five students to achieve a high level of assurance. We obtained evidence that the pupil was enrolled as of October 3, 2018, and was made homeless by the Camp Fire. We also verified that the pupil was not included in the originally certified unduplicated pupil count by any other qualifying criteria.

The above students qualify for the unduplicated LCFF pupil count as of the October 3, 2018, census date, however, they were not included in the California Longitudinal Pupil Achievement Data System (CalPADS) 1.18 – FRPM/English Learner/Foster Youth – Student List.

Results of testing are as follows:

| June 30, 2019 | FRPM | EL | FRPM and EL | Totals |
|---|------------|----------|----------------|--------------|
| District-Wide Schedule of Unduplicated Pupil Counts | | | | |
| Certified total unduplicated pupil count | 340 | 3 | 80 | 423 |
| County office of education adjustment - district funded county program students | | | | 1 |
| Audit adjustment | 35 | | | 35 |
| Adjusted Total Unduplicated Pupil Counts | 375 | 3 | 80 | 459 |
| Certified enrollment count | | | | 1,038 |
| County office of education adjustment | | | | 2 |
| Total Enrollment Count | | | | 1,040 |

Durham Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

(Continued)

Criteria Pursuant to *California Education Code*, Section 42238.02(b)(2), the District shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English Learner pupil-level records for enrolled pupils using CalPADS. All support for these designations must be kept on file. The Governor's 2019-20 Education Trailer Bill allowed for amendments to these counts due to the unique circumstances of the disaster described above.

Effect The unduplicated LCFF pupil count reported in the CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List was understated by 35 students. As a result, the District's 2018-19 second principal apportionment was understated by \$19,130, calculated as follows:

June 30, 2019

Effect of Unduplicated Pupil Count Adjustments on State Aid

| | |
|---|--------|
| Certified unduplicated pupil percentage | 0.3917 |
|---|--------|

| | |
|--|--------|
| Adjusted unduplicated pupil percentage | 0.4032 |
|--|--------|

| | | |
|--|----|---------|
| Target supplemental grant funding as originally reported | \$ | 651,597 |
|--|----|---------|

| | | |
|------------------|--|--------|
| Audit adjustment | | 19,130 |
|------------------|--|--------|

| | | |
|---|----|----------------|
| Adjusted Target Supplemental Grant Funding | \$ | 670,727 |
|---|----|----------------|

| | | |
|---|----|---|
| Target concentration grant funding as originally reported | \$ | - |
|---|----|---|

| | | |
|------------------|--|---|
| Audit adjustment | | - |
|------------------|--|---|

| | | |
|--|----|----------|
| Adjusted Target Concentration Grant Funding | \$ | - |
|--|----|----------|

| | | |
|-------------------------|----|--------|
| Total audit adjustments | \$ | 19,130 |
|-------------------------|----|--------|

| | | |
|------------------------------------|--|------|
| 2018-19 statewide gap funding rate | | 1.00 |
|------------------------------------|--|------|

| | | |
|---|----|---------------|
| Understatement of 2018-19 Second Principal Apportionment | \$ | 19,130 |
|---|----|---------------|

The California Department of Education will increase the District's second principal apportionment funding by \$19,130.

Cause The cause for the misstatements in the reported CalPADS data is due to identification of the affected Camp Fire pupils after the CalPADS amendment window closed on January 28, 2019.

Recommendation We recommend the District amend the reported counts to obtain funding totaling \$19,130 from the California Department of Education.

Current Status Fully implemented.