

DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2020
 (Continued)

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DAVIS JOINT UNIFIED SCHOOL DISTRICT

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

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Davis Joint Unified School District
Davis, 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 Davis Joint Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Davis Joint Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 through 15 and the General Fund Budgetary Comparison Schedule, the Charter Schools Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 59 to 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davis Joint Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021 on our consideration of Davis Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis Joint Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly stylized font.

Crowe LLP

Sacramento, California
January 28, 2021

Management’s Discussion and Analysis

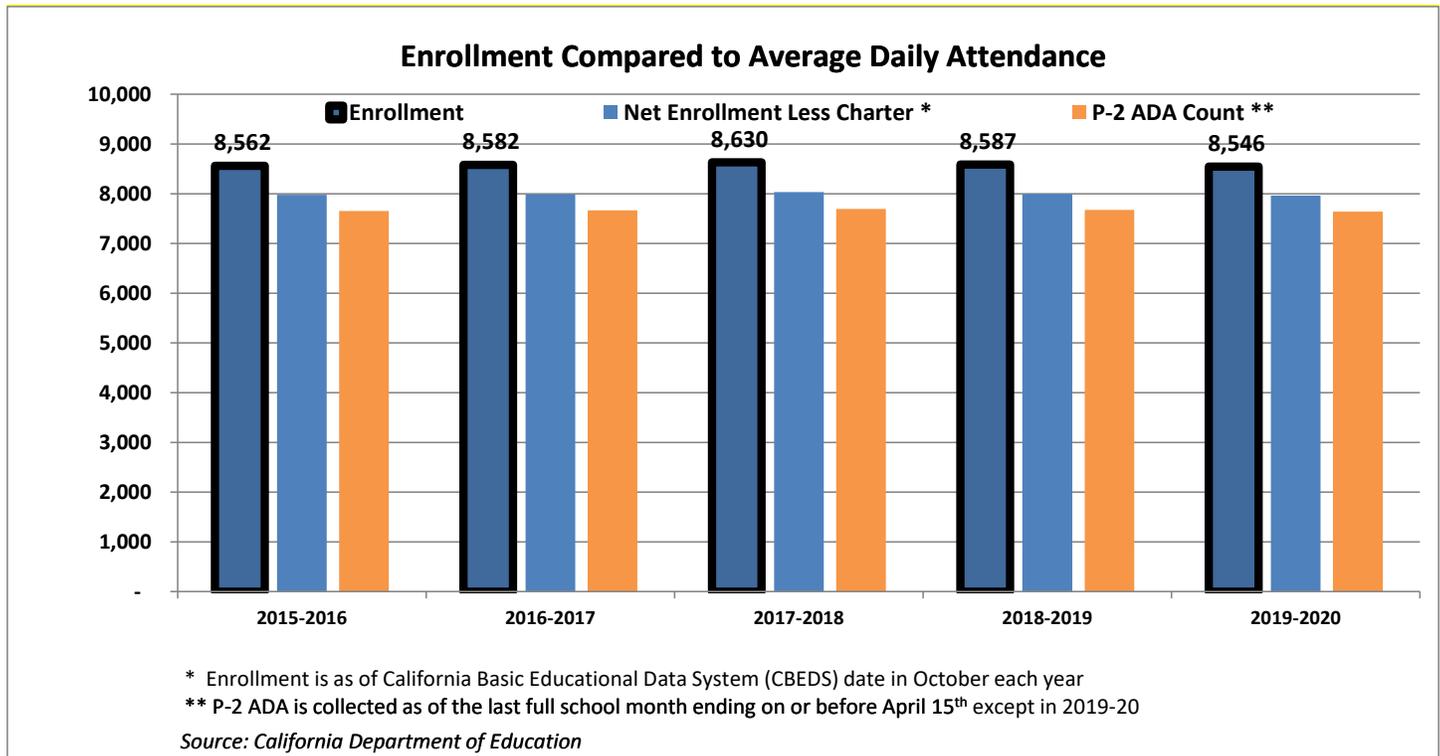
The Management’s Discussion and Analysis (MD&A) Section of the audit report is District management’s overall view of the District’s financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. Certain comparative information is required to be presented in this document.

District Overview

Davis Joint Unified School District (the “District”) is located in Solano and Yolo Counties. The District provides educational services to the residents in and around Davis, California. The District operates under the jurisdiction of the Yolo County Superintendent of Schools. Over 25% of enrolled students are English Learners, foster youth, or eligible for free or reduced-price meals.

For fiscal year 2019-2020, the District operated three elementary schools (grades TK-6), five elementary schools (grades K-6), one elementary school (grades K-3), three junior high schools (grades 7-9), one comprehensive high school (grades 10-12), one dependent charter school (grades 7-12), one continuation high school, one independent study program, one adult school, one preschool program, and a teacher credentialing program. As of June 30, 2020, the District employed 610 certificated employees and 573 classified employees.

For the 2019-2020 school year, the District’s October enrollment for grades TK-12 was 8,546, a decrease from 2018-2019 of 41 students. The graph below shows the District’s enrollment trend, including charter school enrollment. Since 2017-2018, the District’s enrollment has steadily declined year over year, while average daily attendance (ADA) remains constant at nearly 96% of enrollment. The District is funded based on its ADA, which is tracked daily with staff following up on areas of concern.



Governance

The District is governed by a Board of Education consisting of five community members and two student representatives. Community members are elected to staggered four-year terms every two years. Students serve for a single school year. Beginning with the November 2020 election, Board member elections for new four-year terms are no longer held district-wide but instead are held among voters who reside in each of five Trustee areas.

District Mission and Board Goals

The mission of the District, a leading center of educational innovation, is to ignite a love of learning and equip each student with the knowledge, skills, character, and well-being to thrive and contribute to an evolving and increasingly-connected world, through a system characterized by:

- Optimal conditions and environments for all students to learn
- A team of talented, resourceful, and caring staff
- Transforming teaching, learning, and operations in our continuing pursuit of excellence
- Resourceful, transparent, and responsible fiscal planning, and
- A diverse and inclusive culture

This mission statement is the basis and guiding principles of the District.

Board Goals:

- **Develop 21st Century Teaching and Learning Environments:** Creating safe and inclusive educational environments and practices designed to foster robust academic programs that engender the District Graduate Profile competencies in all students.
- **Close Achievement and Opportunity Gaps:** Employing an equity lens to ensure that current and future needs of those furthest from success and opportunity are always included in our decision-making and daily efforts.
- **Build Skills to Promote Social/Emotional Health:** Recognizing and developing social and emotional skills in students to increase academic success, improved behaviors and relationships, deeper connections to school, and happiness in adulthood.
- **Offer Excellent Programs for All Students:** Understanding student needs and preferences and evaluating current and future offerings to create optimal opportunities for all students to engage and thrive.
- **Achieve Fiscal Sustainability:** Achieving the Goals of the District in a financially responsible, transparent and sustainable manner, while increasing fiscal literacy throughout the community.

Graduate Profile

Each year, an average of 700 students graduates from District high schools. The District's Graduate Profile defines 21st Century Learning by specifying the six outcomes that the District's community believes are important for student success in college, career, and beyond: critical thinking and problem solving; creativity and innovation; civic and cultural awareness; adaptability and resilience; collaboration; and communication.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis (this section); (2) the financial statements; and (3) required supplementary information.

The remainder of the MD&A highlights the structure and contents of each of the statements.

The financial statements include two kinds of statements that present different views of the District: district-wide financial statements and fund financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detail.

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial position. The Statement of Net Position includes all the District's assets and liabilities and deferred outflows and inflows of resources. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, operations and administration. State support from Local Control Funding Formula (LCFF) and categorical apportionments finance most of these activities.
- Business-type activities – The District does not currently have any business-type activities.

These two financial statements start on page 16.

The remaining statements are fund financial statements that report on the District's operations in more detail than the district-wide statements. These statements begin on page 18.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Financial Condition

The Statement of Net Position is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or declining.

Fiscal year 2002-2003 was the first year the District accounted for the value of capital assets and included these values as part of the financial statements. Capital assets include land, buildings, site improvements, equipment, and work in progress. We display the book value of all district assets including buildings and equipment, and related depreciation, in this financial statement. Land is accounted for at purchase cost, not market value, and is not depreciated. Many of our school sites have low values because the District acquired the land over five decades ago. School buildings are valued at their historical construction cost less depreciation.

District-wide Financial Condition (Continued)

Comparative financial information as of June 30 from the Statement of Net Position is summarized in the following table:

	June 30, 2020	June 30, 2019	Variance	% Difference
Capital Assets	\$91,318,137	\$93,547,408	(\$2,229,271)	-2%
Other Assets	\$195,577,521	\$88,255,910	\$107,321,611	122%
Total Assets	\$286,895,658	\$181,803,318	\$105,092,340	58%
Deferred Outflows of Resources	\$35,235,825	\$34,709,140	\$526,685	2%
Current and Other Liabilities	\$8,814,160	\$9,313,096	(\$498,936)	-5%
Long-Term Liabilities	\$342,793,872	\$242,926,999	\$99,866,873	41%
Total Liabilities	\$351,608,032	\$252,240,095	\$99,367,937	39%
Deferred Inflows of Resources	\$13,311,741	\$7,160,000	\$6,151,741	86%
Net Investment in Capital Assets (net of related debt)	\$32,136,927	\$33,104,846	(\$967,919)	-3%
Restricted Net Position	\$33,012,097	\$24,458,025	\$8,554,072	35%
Unrestricted Net Position	(\$107,937,314)	(\$100,450,508)	(\$7,486,806)	7%
Total Net Position	(\$42,788,290)	(\$42,887,637)	\$99,347	0%

At the end of fiscal year 2019-2020, the District had a total value of \$191,830,597 in capital assets. Total accumulated depreciation amounted to \$100,512,460. Net capital assets totaled \$91,318,137, a decrease of \$2,229,271 from the prior year. This is a result of more capital projects being depreciated than acquired or completed.

Other assets include cash, investments, receivables, and stores inventory. An increase in other assets of \$107,321,611 is mostly a result of more cash in the Building Fund as compared with the prior year. The Building Fund cash accounts are used to fund the District's capital asset improvements (i.e., Measure M General Obligations Bonds). The remaining authorization of Measure M was issued in 2019-2020.

Current and other liabilities include accounts payable and unearned revenue, which decreased \$498,936 from the prior year because of decreased supply and service expenditures due to COVID-19 pandemic school closures.

The District ended the year with a total of \$351,608,032 in outstanding obligations. The increase in total liabilities of \$99,367,937 is mainly attributed to the sale of Measure M General Obligation Bonds and issuance of General Obligation Refunding Bonds.

District-wide Financial Condition (Continued)

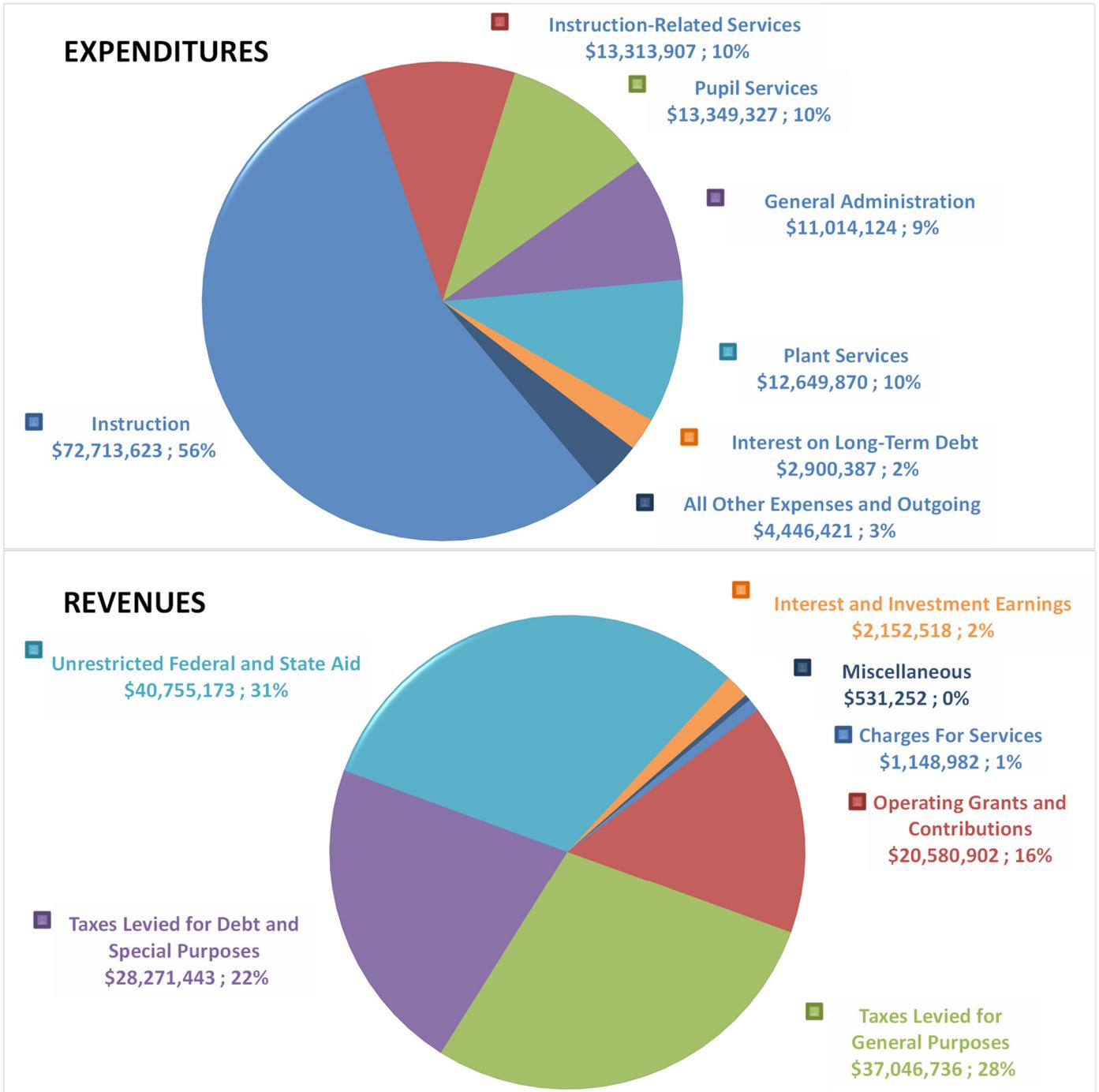
The Statement of Activities is a district-wide financial statement that reports the District's cost of instruction and other district activities, and the resources that fund individual and general activities of the District. Comparative financial information for the year ended June 30 is presented in the following table:

	June 30, 2020	June 30, 2019	Variance	% Difference
Expenses				
Governmental Activities:				
Instruction	\$72,713,623	\$75,219,376	(\$2,505,753)	-3%
Instruction-Related Services	\$13,313,907	\$14,457,089	(\$1,143,182)	-8%
Pupil Services	\$13,349,327	\$13,465,329	(\$116,002)	-1%
General Administration	\$11,014,124	\$8,204,984	\$2,809,140	34%
Plant Services	\$12,649,870	\$11,062,016	\$1,587,854	14%
Interest on Long-Term Debt	\$2,900,387	\$2,200,422	\$699,965	32%
All Other Expenses and Outgo	\$4,446,421	\$2,737,684	\$1,708,737	62%
Total Governmental Activity Expenses	\$130,387,659	\$127,346,900	\$3,040,759	2%
Revenues				
Charges for Services	\$1,148,982	\$1,212,887	(\$63,905)	-5%
Operating Grants and Contributions	\$20,580,902	\$22,522,125	(\$1,941,223)	-9%
Capital Grants and Contributions	\$0	\$0	\$0	0%
Taxes Levied for General Purposes	\$37,046,736	\$35,535,116	\$1,511,620	4%
Taxes Levied for Debt and Special Purposes	\$28,271,443	\$21,588,341	\$6,683,102	31%
Unrestricted Federal and State Aid	\$40,755,173	\$42,874,313	(\$2,119,140)	-5%
Interest and Investment Earnings	\$2,152,518	\$860,028	\$1,292,490	150%
Miscellaneous	\$531,252	\$1,363,986	(\$832,734)	-61%
Total Revenues	\$130,487,006	\$125,956,796	\$4,530,210	4%
Change in Net Position	\$99,347	(\$1,390,104)	\$1,489,451	107%

The District overall experienced a \$99,347 increase in net position. This was an increase of \$1,489,451 from the prior year's change in net position. Total revenues increased 4%, or \$4,530,210, as compared to 2018-2019, while total expenditures increased by 2%, or \$3,040,759.

District-wide Financial Condition (Continued)

This year's decreases in Instruction and Pupil Services spending can be attributed to a decrease in California State Teachers Retirement System On-Behalf Contributions, as well as reductions in restricted Federal, State and Local resources' expenditures due to COVID-19 pandemic school closures. Increases in General Administration and Plant Services expenditures were a result of several grants received by the Yolo Solano Center for Teacher Credentialing as well as spending on Clean Energy, Career Technical Education, PG&E Retrofit, and Measure M General Obligation Bond funded facility projects. The charts below show the percentage share of expenditures by function and revenues by source as shown in the Statement of Activities.



Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. A fund consists of a self-balancing set of accounts that the District uses to track specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for specific purposes (such as cafeteria funds) or to show that it is properly using certain revenues (such as community facility funds).

The District has three kinds of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. Enterprise funds (one type of proprietary fund) are the same as business-type activities, but provide more detail and additional information, such as cash flows. The District does not currently have any business-type activities. Internal service funds (another type of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund, the Self-Insurance Fund.
- Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District’s initial budget is adopted by July 1. Over the course of the year, the District’s budget is revised several times to account for revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. The budget may also be revised to reflect mid-year changes to the State Budget which affect district funding. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2020:

	Adopted Budget	Year End Budget	Actual
Total Revenues	\$95,888,035	\$99,193,216	\$100,206,536
Total Expenditures	\$97,639,555	\$102,505,239	\$100,697,250
Total Other Financing Sources/(Uses)	\$0	\$0	(\$298,465)

The net revenue increase between Adopted and Year End Budget was \$3,305,181, due to current year budgets for categorical funds, which are budgeted as grant award documents are received. Also, the budgets for prior year unspent restricted and unrestricted program funds (carryover) are appropriated mid-year.

The net increase to the total expenditure budget between Adopted and Year End Budget was \$4,865,684, due to revisions to set up expenditures related to the one-time funds described above and the categorical program funds, which are budgeted after July 1 as grant award documents are received and school site plans are approved.

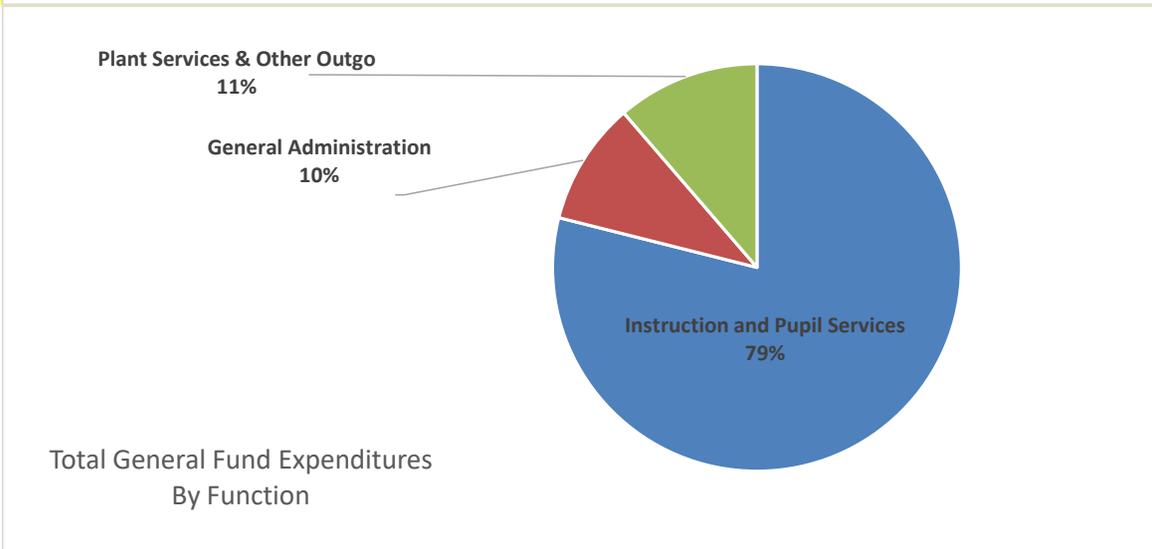
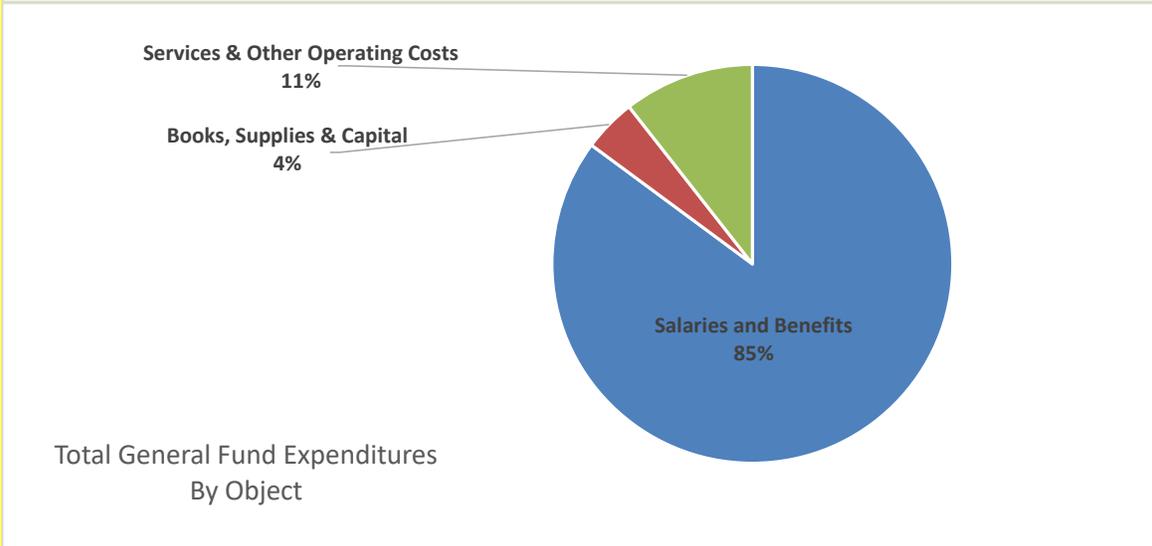
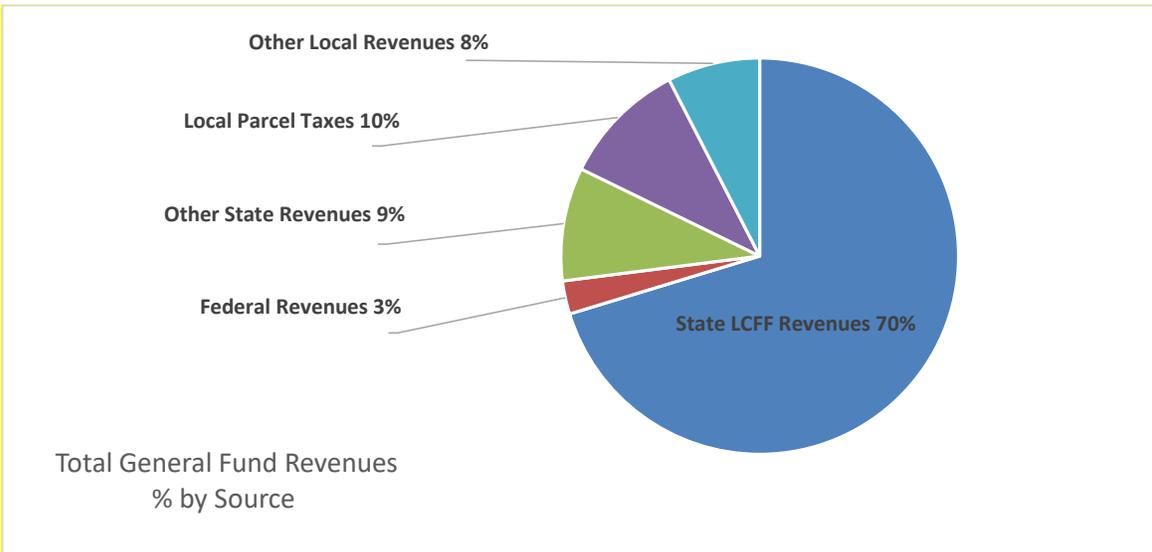
Actual revenues were \$1,013,320, or 1%, above Year End Budget, due to grant awards received at year end after the development of the Year End Budget. Actual expenditures were \$1,807,989, or 1.8%, below Year End Budget, due to unspent categorical revenue and unspent school site program funds resulting from COVID-19 pandemic school closures.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2020:

Total Revenues	\$100,206,536
Total Expenditures	\$100,697,250
Total Other Financing Sources/ (Uses)	(\$298,465)
Net Change	(\$789,179)

The charts on the following page further detail the percentage distribution of General Fund revenue sources and expenditure types for 2019-2020.

General Fund Financial and Budgetary Highlights (Continued)



District Reserves and Net Ending Balance

Revenues that have not been expended during a budget year are carried over for expenditure in the subsequent year and are identified as the District’s “Net Ending Balance.” Included within the projected net ending balance is a “reserve for economic uncertainties.” The State requires districts of our size to retain an amount equal to 3% of our budgeted expenditures to cover unforeseen shortfalls in revenues or expenditures greater than budgeted. Also included in the net ending balance are carryover balances that originated from sources that can only be used for specific purposes. These “restricted” resources can only be spent on the purposes determined by the grantor, and the balances in these accounts carry the same restrictions as the originating revenue.

The District also has the option of committing or assigning the ending balance. Committing funds requires the Board of Education to designate the funds for any purpose by a majority vote at a Board meeting. Once the funds are committed, the amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraints for the committed funds. The Board did not take any action in 2019-2020 to commit funds. Assigned ending balances are constrained by the District’s intent but are neither restricted nor committed. An example of assignment is designating the ending balance to be used for a future textbook adoption.

The chart below represents the District’s financial analysis of its Governmental and Proprietary Funds:

Ending Fund Balances	June 30, 2020	June 30, 2019	Variance
Fund 01 General	\$9,734,793	\$10,523,972	(\$789,179)
Fund 09 Charter Schools	\$895,380	\$626,516	\$268,864
Fund 11 Adult Education	\$275,529	\$215,482	\$60,047
Fund 12 Child Development	\$57,548	\$55,737	\$1,811
Fund 13 Cafeteria	\$59,917	\$47,807	\$12,110
Fund 21 Building	\$149,017,239	\$49,411,377	\$99,605,862
Fund 25 Capital Facilities	\$2,043,888	\$1,694,097	\$349,791
Fund 40 Special Reserve	\$1,099,865	\$0	\$1,099,865
Fund 49 Capital Project for Blended Component Units	\$1,491,960	\$6,253,253	(\$4,761,293)
Fund 51 Bond Interest and Redemption	\$10,725,415	\$3,080,503	\$7,644,912
Fund 52 Debt Service for Blended Component Units	\$12,530,180	\$7,670,971	\$4,859,209
Fund 67 Self Insurance	\$277,864	\$261,855	\$16,009

Capital Projects

In 2018, voters approved Measure M, a \$150 million general obligation bond measure. In 2019-2020, the District issued the remaining \$100 million in bond authorization at a savings to taxpayers. The District continues facility improvements, modernization and construction projects that enhance the learning environment. The proceeds are intended to:

- Improve campus safety and security at all schools
- Modernize science, technology, engineering, arts and math classrooms and labs
- Update classrooms, science labs, innovation labs, athletic and other school facilities to meet current academic and safety standards
- Keep schools clean, well-maintained and in good condition
- Replace aging plumbing and electrical systems
- Improve school access for students and staff with disabilities and inclusiveness for all students

On March 19, 2020, the Board of Education reprioritized the Bond Program projects as Signature Projects to be completed from Measure M funding prior to 2025. Signature Projects include:

- Emerson/Da Vinci Junior High School Science Classrooms
- Birch Lane, César Chávez, North Davis and Willett Elementary Multipurpose Rooms
- Early Learning Center at the Korematsu Campus
- DaVinci High School Tech Hub
- Davis High School STEM Building
- Davis High School Aquatic Center

All other Bond Program projects were prioritized beyond 2025. As of June 30, 2020, the District spent \$2,653,550 of Measure M funds on these projects.

District Indebtedness

As of June 30, 2020, the District incurred \$342,793,872 in long-term liabilities. Of this amount, \$160,310,000 are General Obligation Bonds backed by property tax increases voted on by District residents in 2000 and 2018 (reported in the Bond Interest and Redemption Fund), and \$25,808,587 are Certificates of Participation, backed by community facility funds (reported in the Capital Project for Blended Component Units Fund).

Over 38% of the long-term debt is related to the investment in employees' post-retirement. The District offers post-retirement health benefits (OPEB) to eligible retirees until age 65. The recognized total OPEB liability increased by \$2,849,643 to \$20,874,499, while the net pension liability for State Teacher's and Public Employer's Retirement Funds decreased by \$1,035,000 to \$110,779,000.

COVID-19 Pandemic

An outbreak of a respiratory disease caused by a new strain of coronavirus, COVID-19, was first detected in late 2019 and has spread globally. The World Health Organization declared the COVID-19 outbreak as a Public Health Emergency of International Concern on January 30, 2020, further characterizing the outbreak as a pandemic on March 11, 2020. The federal and State governments both declared emergencies and took action to limit the spread of the outbreak and reduce the resulting economic impact.

COVID-19 Pandemic (Continued)

The Governor issued Executive Order N-26-20 on March 13, 2020, ensuring California public school districts retain State funding even in the event of physical closure. The order directed school districts to use those State dollars to fund distance learning and high-quality educational opportunities, provide school meals, continue to pay employees, and arrange for the supervision for students during school hours as practicable. On March 13, 2020, the District announced the closure of all schools from March 16, 2020 through at least April 13, 2020 due to the COVID-19 pandemic.

On March 17, 2020, the Governor signed Senate Bill 89 (SB 89) appropriating \$500 million from the State general fund for any purpose related to the Governor's March 4 emergency declaration. The Governor also signed Senate Bill 117 (SB 117), which updated attendance reporting to include the full school months from July 1, 2019 through February 29, 2020, for apportionment purposes. SB 117 also held harmless school districts not meeting minimum instructional day and minute requirements during the academic year and appropriated \$100 million for local educational agencies to purchase protective equipment and supplies and labor related to cleaning school sites as a result of COVID-19.

On March 19, 2020, the Governor issued Executive Order N-33-20 ordering all State residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The shelter-in-place order went into effect immediately, thereby suspending classroom instruction indefinitely throughout State schools.

On April 2, 2020, the District announced that its campuses would remain closed through the end of the 2019-2020 academic year, with distance learning to educate the District's students officially beginning April 13, 2020. The District opened the 2020-2021 school year in a Distance Learning environment, consistent with State mandates and County health orders.

The District cannot predict the pandemic's extent or duration or what impact the pandemic, as well as responses by federal, State or local authorities, may have on the District's financial condition or on the assessed value of real property in the District. The District, the Board of Education, and the respective authorities are continually evaluating the pandemic's impact on students, families, staff, and the entire District community.

Financial Outlook

Issues facing the District in the years ahead include continued declining enrollment and a structural spending deficit from decreasing State apportionment revenues and increasing operating expenditures such as mandated pension contributions. The development of future budgets will be influenced by external variables such as enrollment changes, the State Budget, and the COVID-19 pandemic.

The District's 2020-2021 First Interim multi-year projections indicate that the District will be able to meet its financial obligations for the current and subsequent year, but may not be able to meet its financial obligations during the second subsequent year 2022-2023 without budget reductions. The District continues to evaluate all opportunities for an improved future financial outlook.

Contacting the District's Financial Management

If you have any questions regarding this report or need additional financial information, please contact Amari Watkins, Associate Superintendent of Business Services, at (530) 757-5300 ext. 122, or email business@djUSD.net.

BASIC FINANCIAL STATEMENTS

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 186,756,994
Receivables	8,785,982
Stores inventory	34,545
Non-depreciable capital assets (Note 4)	11,914,744
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>79,403,393</u>
Total assets	<u>286,895,658</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	29,079,005
Deferred outflows of resources - OPEB (Notes 9)	5,335,668
Deferred loss from refunding of debt	<u>821,152</u>
Total deferred outflows of resources	<u>35,235,825</u>
LIABILITIES	
Accounts payable	8,768,910
Unearned revenue	45,250
Long-term liabilities (Note 5):	
Due within one year	10,779,234
Due after one year	<u>332,014,638</u>
Total liabilities	<u>351,608,032</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	9,900,000
Deferred inflows of resources - OPEB (Notes 9)	<u>3,411,741</u>
Total deferred inflows of resources	<u>13,311,741</u>
NET POSITION	
Net investment in capital assets	32,136,927
Restricted:	
Legally restricted programs	5,120,789
Capital projects	4,635,713
Debt service	23,255,595
Unrestricted	<u>(107,937,314)</u>
Total net position	<u>\$ (42,788,290)</u>

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

		Program Revenues				Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction	\$ 72,713,623	\$ 182,911	\$ 12,378,847	\$ -		\$ (60,151,865)
Instruction-related services:						
Supervision of Instruction	3,381,277	7,161	580,378	-		(2,793,738)
Instructional library, media and technology	2,312,244	2,019	92,786	-		(2,217,439)
School site administration	7,620,386	6,512	866,927	-		(6,746,947)
Pupil services:						
Home-to-school transportation	410,124	2,650	87,773	-		(319,701)
Food services	2,872,337	711,370	1,309,575	-		(851,392)
All other pupil services	10,066,866	21,739	1,818,935	-		(8,226,192)
General administration:						
Data processing	2,072,823	-	16,097	-		(2,056,726)
All other general administration	8,941,301	111,457	1,576,819	-		(7,253,025)
Plant services	12,649,870	60,985	1,159,026	-		(11,429,859)
Ancillary services	1,653,602	25,548	371,806	-		(1,256,248)
Community services	137,644	-	-	-		(137,644)
Enterprise activities	(11,643)	-	-	-		11,643
Interest on long-term liabilities	2,900,387	-	-	-		(2,900,387)
Other outgo	2,666,818	16,630	321,933	-		(2,328,255)
Total governmental activities	\$ 130,387,659	\$ 1,148,982	\$ 20,580,902	\$ -		\$ (108,657,775)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes						37,046,736
Taxes levied for debt service						16,859,600
Taxes levied for other specific purposes						11,411,843
Federal and state aid not restricted to specific purposes						40,755,173
Interest and investment earnings						2,152,518
Miscellaneous						531,252
Total general revenues						108,757,122
Change in net position						99,347
Net position, July 1, 2019						(42,887,637)
Net position, June 30, 2020						\$ (42,788,290)

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Charter Schools Fund	Building Fund	Capital Project for Blended Component Units Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ 6,860,328	\$ 2,109,350	\$ 149,430,803	\$ 2,600,591	\$ 5,694,864	\$ 11,674,525	\$ 178,370,461
Cash on hand and in banks	-	-	-	-	-	1,374	1,374
Cash awaiting deposit	-	-	-	-	-	1,780	1,780
Cash in revolving fund	67,500	2,000	-	-	-	1,000	70,500
Cash with Fiscal Agent	-	-	-	110,665	-	2,899,490	3,010,155
Investments	12,683	-	-	-	5,030,551	-	5,043,234
Receivables	7,595,580	644,338	-	-	-	544,668	8,784,586
Due from other funds	2,243,546	130,799	28,020	-	-	1,719,467	4,121,832
Stores inventory	-	-	-	-	-	34,545	34,545
Total assets	\$ 16,779,637	\$ 2,886,487	\$ 149,458,823	\$ 2,711,256	\$ 10,725,415	\$ 16,876,849	\$ 199,438,467
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 6,244,702	\$ 285,680	\$ 439,043	\$ 118,754	\$ -	\$ 234,514	\$ 7,322,693
Due to other funds	765,799	1,703,013	2,541	1,100,542	-	566,915	4,138,810
Unearned revenue	34,343	2,414	-	-	-	8,493	45,250
Total liabilities	7,044,844	1,991,107	441,584	1,219,296	-	809,922	11,506,753
Fund balances:							
Nonspendable	67,500	2,000	-	-	-	35,545	105,045
Restricted	3,534,793	893,380	149,017,239	1,491,960	10,725,415	16,031,382	181,694,169
Assigned	3,096,405	-	-	-	-	-	3,096,405
Unassigned	3,036,095	-	-	-	-	-	3,036,095
Total fund balances	9,734,793	895,380	149,017,239	1,491,960	10,725,415	16,066,927	187,931,714
Total liabilities and fund balances	\$ 16,779,637	\$ 2,886,487	\$ 149,458,823	\$ 2,711,256	\$ 10,725,415	\$ 16,876,849	\$ 199,438,467

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - Governmental Funds \$ 187,931,714

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$191,830,597 and the accumulated depreciation is \$100,512,460 (Note 4). 91,318,137

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

Special Tax Bonds	\$ (14,210,000)	
General Obligation Bonds	(160,310,000)	
Unamortized premiums	(8,058,677)	
Certificates of Participation	(25,808,587)	
Accreted interest	(1,442,013)	
Capital lease obligations	(632,337)	
Other postemployment benefits (Note 9)	(20,874,499)	
Net pension liability (Notes 7 and 8)	(110,779,000)	
Compensated absences	<u>(678,759)</u>	(342,793,872)

Losses on refunding of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt. 821,152

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

Deferred outflows of resources relating to pensions	\$ 29,079,005	
Deferred outflows of resources relating to OPEB	5,335,668	
Deferred inflows of resources relating to pensions	(9,900,000)	
Deferred inflows of resources relating to OPEB	<u>(3,411,741)</u>	21,102,932

Unmatured interest on long-term liabilities is recognized in the period incurred. (1,446,217)

Internal service funds are included in the government-wide financial statements. 277,864

Total net position - governmental activities \$ (42,788,290)

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Charter Schools Fund	Building Fund	Capital Project for Blended Component Units Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:							
Local Control Funding Formula (LCFF):							
State apportionment	\$ 35,677,442	\$ 2,857,511	\$ -	\$ -	\$ -	\$ -	\$ 38,534,953
Local sources	<u>34,744,989</u>	<u>2,301,747</u>	-	-	-	-	<u>37,046,736</u>
Total LCFF	<u>70,422,431</u>	<u>5,159,258</u>	-	-	-	-	<u>75,581,689</u>
Federal sources	2,717,495	-	-	-	-	944,748	3,662,243
Other state sources	9,280,966	421,312	-	-	45,858	806,899	10,555,035
Other local sources	<u>17,785,644</u>	<u>83,208</u>	<u>1,829,413</u>	<u>59,836</u>	<u>7,268,364</u>	<u>12,514,513</u>	<u>39,540,978</u>
Total revenues	<u>100,206,536</u>	<u>5,663,778</u>	<u>1,829,413</u>	<u>59,836</u>	<u>7,314,222</u>	<u>14,266,160</u>	<u>129,339,945</u>
Expenditures:							
Current:							
Certificated salaries	43,872,275	2,053,277	-	-	-	500,040	46,425,592
Classified salaries	18,667,569	354,453	161,014	163,892	-	1,544,339	20,891,267
Employee benefits	22,957,704	916,205	59,456	59,199	-	710,150	24,702,714
Books and supplies	2,752,688	112,962	28,108	7,834	-	1,280,589	4,182,181
Contract services and operating expenditures	9,982,383	1,689,376	1,025,086	159,354	1,873,431	238,478	14,968,108
Other outgo	741,364	-	-	-	-	-	741,364
Capital outlay	1,554,002	120,159	1,549,887	-	-	705,565	3,929,613
Debt service:							
Principal retirement	155,976	-	-	3,564,311	10,050,000	2,029,320	15,799,607
Interest	<u>13,289</u>	<u>-</u>	<u>-</u>	<u>1,666,539</u>	<u>2,206,466</u>	<u>1,170,136</u>	<u>5,056,430</u>
Total expenditures	<u>100,697,250</u>	<u>5,246,432</u>	<u>2,823,551</u>	<u>5,621,129</u>	<u>14,129,897</u>	<u>8,178,617</u>	<u>136,696,876</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(490,714)</u>	<u>417,346</u>	<u>(994,138)</u>	<u>(5,561,293)</u>	<u>(6,815,675)</u>	<u>6,087,543</u>	<u>(7,356,931)</u>
Other financing sources (uses):							
Transfers in	299,372	-	-	1,900,000	-	1,888,275	4,087,647
Transfers out	(805,253)	(148,482)	-	(1,100,000)	-	(2,050,890)	(4,104,625)
Proceeds from issuance of bonds	-	-	100,600,000	-	8,135,000	-	108,735,000
Proceeds from capital lease	91,339	-	-	-	-	457,905	549,244
All other financing sources	<u>116,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,325,587</u>	<u>-</u>	<u>6,441,664</u>
Total other financing sources (uses)	<u>(298,465)</u>	<u>(148,482)</u>	<u>100,600,000</u>	<u>800,000</u>	<u>14,460,587</u>	<u>295,290</u>	<u>115,708,930</u>
Net change in fund balances	(789,179)	268,864	99,605,862	(4,761,293)	7,644,912	6,382,833	108,351,999
Fund balances, July 1, 2019	<u>10,523,972</u>	<u>626,516</u>	<u>49,411,377</u>	<u>6,253,253</u>	<u>3,080,503</u>	<u>9,684,094</u>	<u>79,579,715</u>
Fund balances, June 30, 2020	<u>\$ 9,734,793</u>	<u>\$ 895,380</u>	<u>\$ 149,017,239</u>	<u>\$ 1,491,960</u>	<u>\$ 10,725,415</u>	<u>\$ 16,066,927</u>	<u>\$ 187,931,714</u>

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION FO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net change in fund balances - Total Governmental Funds	\$ 108,351,999
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	3,931,598
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,160,869)
In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net position, proceeds form debt are reported as increases to liabilities. (Note 5).	(115,609,831)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	15,799,607
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	1,283,817
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements, debt issued at a premium is amortized as interest over the life of the debt (Note 5).	676,406
Losses on refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.	743,282
Interest on long-term liabilities is recognized in the period it is incurred. In governmental funds, it is only recognized when it is due.	(547,461)
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other postemployment benefits are recognized on the accrual basis (Note 9).	(1,678,164)

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION FO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5)	\$ (202,229)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(6,504,817)
Activities of the internal service fund are reported with governmental activities.	<u>16,009</u>
Change in net position of governmental activities	<u>\$ 99,347</u>

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND – GOVERNMENTAL ACTIVITIES
June 30, 2020

ASSETS

Current assets:

Cash in County Treasury (Note 2)	\$ 259,490
Receivables	1,396
Due from other funds	<u>16,978</u>
Total current assets	<u>277,864</u>

NET POSITION

Net position - unrestricted	<u>\$ 277,864</u>
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See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND – GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2020

Operating revenue	
In-District premiums	\$ 2,984
Operating expenses:	
Contract services and operating expenses	<u>11,022</u>
Operating loss	<u>(8,038)</u>
Non-operating revenues:	
Interest income	7,069
Transfers in	<u>16,978</u>
Total non-operating revenues	<u>24,047</u>
Change in net position	16,009
Net position July 1, 2019	<u>261,855</u>
Net position, June 30, 2020	<u><u>\$ 277,864</u></u>

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SELF-INSURANCE FUND – GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Cash received from premiums	\$ (15,221)
Cash paid for supplies and operating expenses	<u>(11,022)</u>
Net cash used in operating activities	<u>(26,243)</u>
Cash flows provided by investing activities:	
Interest income received	<u>7,069</u>
Cash flows from non-capital financing activities:	
Transfer in from other funds	<u>16,978</u>
Decrease in cash and investments	(2,196)
Cash in County Treasury, July 1, 2019	<u>261,686</u>
Cash in County Treasury, June 30, 2020	<u><u>\$ 259,490</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (8,038)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in receivables	(1,227)
Increase in due from other funds	<u>(16,978)</u>
Net cash used in operating activities	<u><u>\$ (26,243)</u></u>

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2020

	<u>Foundation Trust</u>	<u>Agency Student Body</u>
ASSETS		
Cash and Investments (Note 2):		
Cash in County Treasury	\$ 89,784	\$ -
Cash on hand and in banks	<u>-</u>	<u>205,901</u>
Total assets	<u>\$ 89,784</u>	<u>\$ 205,901</u>
LIABILITIES		
Due to student groups	<u>500.00</u>	<u>\$ 205,901</u>
NET POSITION		
Restricted for scholarships	<u>\$ 89,284</u>	<u>\$ -</u>

See accompanying notes to financial statements.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2020

Additions:	
Local sources	\$ 10,465
Deductions:	
Contract services and operating expenditures	<u>26,411</u>
Change in net position	(15,946)
Net Position, July 1, 2019	<u>105,230</u>
Net Position, June 30, 2020	<u><u>\$ 89,284</u></u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The District and Davis Schools Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a blended component unit of the District. The financial activity of the Corporation has been included in the basic financial statements of the District as the Debt Service Fund.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Codification Section 2100 criteria:

A - Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the District's Board of Education.
2. The Corporation has no employees. The District's Superintendent functions as an agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

B - Accountability for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
2. Any deficits incurred by the Corporation will be reflected in the lease payment of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

C - Scope of Public Service

1. The Corporation was created for the sole purpose of financially assisting the District.

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

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

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

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

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

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund.

Charter Schools Fund:

The Charter Schools Fund is a special revenue fund used to account for the resources of charter school operations.

Building Fund:

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Fund for Blended Component Units Fund:

The Capital Project Fund for Blended Component Units Fund is established to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the repayment of general obligation bond activities of the District.

B - Other Funds

The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. This includes the Capital Facilities and Special Reserve Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This includes the Adult Education, Child Development, and Cafeteria Funds.

The Debt Service fund is used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

The Self-Insurance Fund is an internal service fund which is used to cover deductibles and other insurance liability risks. The principal operating revenues for the self-insurance fund are premiums received and related income.

The Foundation Trust Fund is used to account for assets held by the District as Trustee.

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of Student Body Funds.

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

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The District's Governing Board complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2020.

Stores Inventory: Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets: The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at acquisition value of contributed asset. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 30 years depending on asset types.

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability and total OPEB liability reported in the Statement of Net Position.

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 as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and total OPEB liability reported in the Statement of Net Position.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate as of June 30, 2020:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 19,967,584	\$ 9,111,421	\$ 29,079,005
Deferred inflows of resources	\$ 9,463,000	\$ 437,000	\$ 9,900,000
Net pension liability	\$ 70,976,000	\$ 39,803,000	\$ 110,779,000
Pension expense	\$ 15,509,741	\$ 8,810,427	\$ 24,320,168

Compensated Absences: Compensated absences benefits in the amount of \$678,759 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

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

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

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

Net Position: Net position is displayed in three components:

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

2- Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for self-insurance represents the portion of net position restricted for payment of the contract services related to claims. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2020, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2020, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2020 are reported at fair value and consisted of the following:

	Governmental Funds	Proprietary Funds	Total Governmental Activities	Fiduciary Funds
Pooled funds:				
Cash in County Treasury	\$ 178,370,461	\$ 259,490	\$ 178,629,951	\$ 89,784
Local Agency Investment Fund	5,043,234	-	5,043,234	-
Deposits:				
Cash in revolving fund	70,500	-	70,500	-
Cash on hand and in banks	1,374	-	1,374	205,901
Cash awaiting deposit	1,780	-	1,780	-
Cash with Fiscal Agent	3,010,155	-	3,010,155	-
Total cash and investments	<u>\$ 186,497,504</u>	<u>\$ 259,490</u>	<u>\$ 186,756,994</u>	<u>\$ 295,685</u>

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds - Local Agency Investment Fund: The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's accounts were \$277,775 and the bank balances were \$259,412, of which \$9,412 was uninsured.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects and repayment of debt. The District holds their funds with the Yolo County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the District had no significant interest rate risk related to cash and investments held.

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

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

NOTE 3 - INTERFUND TRANSACTIONS

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - INTERFUND TRANSACTIONS

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major funds:		
General	\$ 2,243,546	\$ 765,799
Charter Schools	130,799	1,703,013
Building	28,020	2,541
Capital Projects for Blended Component Units	-	1,100,542
Non-major funds:		
Adult Education	394	23,781
Child Development	496	69,638
Cafeteria	93	444,032
Capital Facilities	618,484	29,464
Special Reserve	<u>1,100,000</u>	-
Total Governmental funds	4,121,832	4,138,810
Self-insurance fund	<u>16,978</u>	-
Totals	<u>\$ 4,138,810</u>	<u>\$ 4,138,810</u>

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

Transfer from the General Fund to the Cafeteria Fund for parcel tax contributions.	\$ 595,252
Transfer from the General Fund to the Child Development Fund for contributions to the program.	193,023
Transfer from the General Fund to the Self-Insurance Fund for safety credits transfer.	16,978
Transfer from the Debt Service Fund to the Capital Projects for Blended Component Units Fund for Certificates of Participation payments and to transfer additional revenue.	1,900,000
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	148,482
Transfer from the Adult Education Fund to the General Fund for indirect costs.	23,322
Transfer from the Child Development Fund to the General fund for indirect costs.	31,917
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	95,651
Transfer from the Capital Projects for Blended Component Units Fund to the Special Reserve Fund for the Student Center project.	<u>1,100,000</u>
	<u>\$ 4,104,625</u>

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, <u>2019</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2020</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 10,055,899	\$ -	\$ -	\$ 10,055,899
Work-in-process	72,282	1,789,587	3,024	1,858,845
Depreciable:				
Land improvements	8,759,039	1,044,679	-	9,803,718
Buildings	161,615,159	920,514	-	162,535,673
Equipment	<u>7,396,620</u>	<u>179,842</u>	-	<u>7,576,462</u>
Totals, at cost	<u>187,898,999</u>	<u>3,934,622</u>	<u>3,024</u>	<u>191,830,597</u>
Less accumulated depreciation:				
Improvement of sites	4,349,274	423,885	-	4,773,159
Buildings	83,715,362	5,434,555	-	89,149,917
Equipment	<u>6,286,955</u>	<u>302,429</u>	-	<u>6,589,384</u>
Total accumulated depreciation	<u>94,351,591</u>	<u>6,160,869</u>	-	<u>100,512,460</u>
Capital assets, net	<u>\$ 93,547,408</u>	<u>\$ (2,226,247)</u>	<u>\$ 3,024</u>	<u>\$ 91,318,137</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,778,894
Instructional Library, media and technology	12,322
School site administration	6,161
Food services	24,644
All other general administration	178,665
Centralized data processing	18,483
Plant services	<u>141,700</u>
Total depreciation expense	<u>\$ 6,160,869</u>

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES

Special Tax Bonds: On May 16, 2012, the District issued a Special Tax Bond, Refunding Series 2012 totaling \$17,450,000. This serial bond has interest rates ranging from 2.00% to 3.50% maturing on August 15, 2028. As of June 30, 2020, no amounts of the refunded bonds were outstanding.

In June 2015, the District issued a Special Tax Bond, Refunding Series 2015 totaling \$7,385,000. This serial bond has interest rates ranging from 2.0% to 4.0% maturing on August 15, 2029. As of June 30, 2020, no amounts of the refunded bonds were outstanding.

The annual requirements to amortize the Special Tax Bonds outstanding as of June 30, 2020, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,820,000	\$ 437,295	\$ 2,257,295
2022	1,740,000	386,270	2,126,270
2023	1,745,000	331,520	2,076,520
2024	1,545,000	277,095	1,822,095
2025	1,490,000	226,270	1,716,270
2026-2030	<u>5,870,000</u>	<u>454,260</u>	<u>6,324,260</u>
	<u>\$ 14,210,000</u>	<u>\$ 2,112,710</u>	<u>\$ 16,322,710</u>

General Obligation Bonds: A summary of General Obligation Bonds payable as follows June 30, 2020 follows:

<u>Series</u>	<u>Interest Rate %</u>	<u>Original Maturity</u>	<u>Balance July 1, 2019</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Balance June 30, 2020</u>
Refunding 2010	3.5 - 5.0%	2026	\$ 5,235,000	-	\$ 4,550,000	\$ 685,000
Refunding 2011	2.0 - 5.0%	2028	6,090,000	-	5,500,000	590,000
Election of 2018, Series 2019	3.5 - 5.0%	2048	50,300,000	-	-	50,300,000
Election of 2018, Series 2020	3.0 - 5.0%	2043	-	100,600,000	-	100,600,000
2020 GO Bond Refunding	2.0 - 5.0%	2027	-	8,135,000	-	8,135,000
			<u>\$ 61,625,000</u>	<u>\$ 108,735,000</u>	<u>\$ 10,050,000</u>	<u>\$ 160,310,000</u>

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the Series 2010 General Obligation Refunding Bonds outstanding as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 4,115,000	\$ 4,704,888	\$ 8,819,888
2022	5,305,000	5,422,131	10,727,131
2023	2,225,000	5,233,881	7,458,881
2024	2,505,000	5,115,631	7,620,631
2025	2,870,000	4,981,256	7,851,256
2026-2030	15,630,000	22,660,906	38,290,906
2031-2035	23,085,000	19,157,206	42,242,206
2036-2040	36,310,000	14,736,856	51,046,856
2041-2045	46,250,000	7,706,441	53,956,441
2046-2048	<u>22,015,000</u>	<u>1,760,613</u>	<u>23,775,613</u>
	<u>\$ 160,310,000</u>	<u>\$ 91,479,809</u>	<u>\$ 251,789,809</u>

In April 2010, the District issued General Obligation Refunding Bonds for the purpose of refunding the General Obligation Bond Series 2000. The refunding bonds have interest rates ranging from 3.5% to 5%, maturing on August 1, 2025.

In August 2011, the District issued General Obligation Refunding Bonds for the purpose of refunding the General Obligation Bond Series 2002. The refunding bonds have interest rates ranging from 2% to 5%, maturing on August 1, 2027.

In March 2019, the District issued General Obligation Bonds, Election of 2018, Series 2019, in the amount of \$50,300,000. The bonds have interest rates ranging from 3.5% to 5.0%, maturing on August 1, 2047.

In May 2020, the District issued General Obligation Bonds, Election of 2018, Series 2020, in the amount of \$100,600,000. The bonds have interest rates ranging from 3.5% to 5.0%, maturing on August 1, 2047. The District also issued the 2020 General Obligation Refunding Bonds, in the amount of \$8,135,000, for the purpose of refunding certain outstanding general obligation bond. The refunding bonds have interest rates ranging from 2% to 5%, maturing on August 1, 2027.

Although the advance refunding resulted in the recognition of an accounting loss of \$751,069 for the year ended June 30, 2020, the District in effect reduced its aggregate debt service payments by \$635,904 over the next seven years and obtained an economic gain of \$608,456.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Calculation of differences in cash flows requirements and economic gain are as follows:

Old debt service cash flows	\$10,194,834
New debt service cash flows	<u>9,558,930</u>
 Total cash flow differences	 <u>\$ 635,904</u>
 Present view of old debt service cash flows	 \$ 9,729,558
Present view of new debt service cash flows	<u>9,121,102</u>
 Economic gain	 <u>\$ 608,456</u>

Certificates of Participation: The District issued Certificates of Participation (COPs) totaling \$4,994,311 on May 1, 2009. The COPs have an interest rate of 4.17% and mature on August 1, 2019.

The District issued Certificates of Participation (COPs) totaling \$25,967,063 on August 7, 2014. The COPs have an interest rate ranging from 2.0% to 4.0%, and mature on August 1, 2024.

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,316,945	\$ 1,278,456	\$ 5,595,401
2022	4,700,035	1,150,365	5,850,400
2023	4,756,607	1,196,793	5,953,400
2024	5,800,000	365,400	6,165,400
2025	<u>6,235,000</u>	<u>124,700</u>	<u>6,359,700</u>
	<u>\$ 25,808,587</u>	<u>\$ 4,115,714</u>	<u>\$ 29,924,301</u>

Capitalized Lease Obligations: The District leases equipment under five capital lease agreements. The annual requirement to amortize the capitalized lease obligations at June 30, 2020 is as follows:

Year Ended <u>June 30,</u>	<u>Lease Payments</u>
2021	\$ 270,110
2022	154,429
2023	154,428
2024	<u>120,960</u>
 Less amount representing interest	 <u>(67,590)</u>
 Present value of net minimum lease payments	 <u>\$ 632,337</u>

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2020 is shown below:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>	Amounts Due Within <u>One Year</u>
<u>Debt:</u>					
Special Tax Bonds	\$ 15,980,000	\$ -	\$ 1,770,000	\$ 14,210,000	\$ 1,820,000
General Obligation Bonds	61,625,000	108,735,000	10,050,000	160,310,000	4,115,000
Unamortized premiums	2,409,496	6,325,587	676,406	8,058,677	286,928
Certificates of participation	29,531,374	-	3,722,787	25,808,587	4,316,945
Accreted interest	2,725,830	378,396	1,662,213	1,442,013	-
Capitalized lease obligations	339,913	549,244	256,820	632,337	240,361
<u>Other Long-Term Liabilities</u>					
Total OPEB Liability (Note 9)	18,024,856	2,849,643	-	20,874,499	-
Net pension liability (Notes 7 and 8)	111,814,000	-	1,035,000	110,779,000	-
Compensated absences	476,530	213,872	11,643	678,759	-
Total	<u>\$ 242,926,999</u>	<u>\$ 119,051,742</u>	<u>\$ 19,184,869</u>	<u>\$ 342,793,872</u>	<u>\$ 10,779,234</u>

Payments on the Special Tax Bonds are made from the Debt Service Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service and Capital Projects for Blended Component Units Funds. Payments on the capitalized lease obligations are made from the Capital Facilities and General Funds. Payments on the compensated absences, net pension liability and other postemployment benefits are made from the fund for which the related employee worked.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - FUND BALANCES

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

	General Fund	Charter Schools Fund	Building Fund	Capital Projects for Blended Components Units Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:							
Revolving cash fund	\$ 67,500	\$ 2,000	\$ -	\$ -	\$ -	\$ 1,000	\$ 70,500
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,545</u>	<u>34,545</u>
Subtotal nonspendable	<u>67,500</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,545</u>	<u>105,045</u>
Restricted:							
Legally restricted programs:							
Grants	3,534,793	-	-	-	-	-	3,534,793
Charter School	-	893,380	-	-	-	-	893,380
Other programs	-	-	-	-	-	357,449	357,449
Capital projects	-	-	149,017,239	1,491,960	-	3,143,753	153,652,952
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,725,415</u>	<u>12,530,180</u>	<u>23,255,595</u>
Subtotal restricted	<u>3,534,793</u>	<u>893,380</u>	<u>149,017,239</u>	<u>1,491,960</u>	<u>10,725,415</u>	<u>16,031,382</u>	<u>181,694,169</u>
Assigned:							
Deficit spending reserve	<u>3,096,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,096,405</u>
Unassigned:							
Designated for economic uncertainty	<u>3,036,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,036,095</u>
Total fund balances	<u>\$ 9,734,793</u>	<u>\$ 895,380</u>	<u>\$ 149,017,239</u>	<u>\$ 1,491,960</u>	<u>\$ 10,725,415</u>	<u>\$ 16,066,927</u>	<u>\$ 187,931,714</u>

(Continued)

NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

(Continued)

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

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

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84. A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-20.

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

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

The CalSTRS employer contribution rate increases effective for fiscal year 2021 through fiscal year 2045-46 are summarized in the table below:

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

- (1) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2019–20 by 1.03 percentage points pursuant to SB 90.
- (2) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2020–21 by 2.95 percentage points pursuant to SB 90 and AB 84.
- (3) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$7,445,584 to the plan for the fiscal year ended June 30, 2020.

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

Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

The state's base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811 percent on July 1, 2019 to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019-29 through 2022-23.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

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

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% ⁽²⁾
July 01, 2020	2.017%	5.811% ⁽³⁾	2.50%	10.328% ⁽²⁾
July 01, 2021 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	(5)

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

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

(3) In May 2020, the CalSTRS board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020-21, thereby negating the board's rate increase of 0.5%.

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

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

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

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

District's proportionate share of the net pension liability	\$ 70,976,000
State's proportionate share of the net pension liability associated with the District	<u>38,722,000</u>
Total	<u>\$ 109,698,000</u>

The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019 the District's proportion was 0.079 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2018.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$15,509,741 and revenue of \$6,519,347 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 179,000	\$ 2,000,000
Changes of assumptions	8,977,000	-
Net differences between projected and actual earnings on investments	-	2,734,000
Changes in proportion and differences between District contributions and proportionate share of contributions	3,366,000	4,729,000
Contributions made subsequent to measurement date	<u>7,445,584</u>	<u>-</u>
Total	<u>\$ 19,967,584</u>	<u>\$ 9,463,000</u>

\$7,445,584 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 1,379,033
2022	\$ (517,967)
2023	\$ 929,533
2024	\$ 1,989,867
2025	\$ (113,633)
2026	\$ (607,833)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

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

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

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

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

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

* 20-year geometric average

(Continued)

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

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

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

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 105,688,000</u>	<u>\$ 70,976,000</u>	<u>\$ 42,192,000</u>

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

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

General Information about the Public Employer's Retirement Fund B

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

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

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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

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

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

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

Members - The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-20.

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

The District contributed \$3,850,421 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$39,803,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District's proportion was 0.137 percent, which remained unchanged from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$8,810,427. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,891,000	\$ -
Changes of assumptions	1,895,000	-
Net differences between projected and actual earnings on investments	-	369,000
Changes in proportion and differences between District contributions and proportionate share of contributions	475,000	68,000
Contributions made subsequent to measurement date	<u>3,850,421</u>	<u>-</u>
Total	<u>\$ 9,111,421</u>	<u>\$ 437,000</u>

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

\$3,850,421 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2021	\$ 3,589,000
2022	\$ 770,000
2023	\$ 360,500
2024	\$ 104,500

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

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

Valuation Date	June 30, 2018
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

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

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period.

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

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

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

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

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District's proportionate share of the net pension liability	<u>\$ 57,374,000</u>	<u>\$ 39,803,000</u>	<u>\$ 25,227,000</u>

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the benefits described in Notes 7 and 8, the District provides post-employment health care benefits, under a single employer defined benefit OPEB plan, until age 65 for certain groups of employees who retire from the District and after attaining age 55 with at least 15 years of service. These postemployment health care benefit provisions are established per contractual agreement with employee groups. The District pays up to \$125 per month for health benefits of these retirees to the age of 65. The plan does not issue separate financial statements.

The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements to continue health coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2020 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2020:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	228
Active employees	<u>864</u>
	<u>1,092</u>

Benefits Provided: The benefits provided are the same as those provided for active employees.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were \$397,772 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

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

<u>Valuation Date</u>	June 30, 2020
<u>Fiscal Year End</u>	June 30
<u>Mortality Rate</u>	2020 CalSTRS for certified employees and 2017 CalPERS Mortality tables Mortality for Miscellaneous Employees
<u>Discount Rate</u>	2.20%. Based on the Bond Buyer 20-Bond Index.
<u>Retirement Rate</u>	2017 CalSTRS Retirement Rates for school employees Hired before 2013: 2012 CalPERS 2.0% @ 55 Rates Hired after 2012: 2012 CalPERS 2.0% @ 62 Rates 2020 CalSTRS Retirement Rates for certified employees Hired before 2013: 2020 CalSTRS 2.0% @ 60 Rates Hired after 2012: 2020 CalSTRS 2.0% @ 62 Rates
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	2.75% per year
<u>Medicare Coverage</u>	All current and future participating retirees will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Health Care Inflation</u>	4.0% per year
<u>Termination Rate</u>	2020 CalSTRS Termination Rates for certified employees 2017 CalPERS Termination Rates for school employees
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ 18,024,856
Changes for the year:	
Service cost	1,230,447
Interest	645,442
Changes in assumptions	5,131,404
Difference between expected and actual experience	(3,759,878)
Benefit payments	<u>(397,772)</u>
Net change	<u>2,849,643</u>
Balance, June 30, 2020	<u>\$ 20,874,499</u>

The changes in assumptions include a change in the discount rate from 3.50% in the prior valuation, to 2.20% in the current valuation. There were no changes between the measurement date and the year ended June 30, 2020 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(1.2%)</u>	Current Discount Rate <u>(2.2%)</u>	1% Increase <u>(3.2%)</u>
Total OPEB liability	<u>\$ 24,886,258</u>	<u>\$ 20,874,499</u>	<u>\$ 17,699,385</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>(3.0%)</u>	Healthcare Cost Trend Rates Rate <u>(4.0%)</u>	1% Increase <u>(5.0%)</u>
Total OPEB liability	<u>\$ 17,114,666</u>	<u>\$ 20,874,499</u>	<u>\$ 25,859,464</u>

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,075,935. At June 30, 2020, the District had no deferred outflows of resources or deferred inflows of resources related to pensions.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,411,741
Changes of assumptions	<u>5,335,668</u>	<u>-</u>
Total	<u>\$ 5,335,668</u>	<u>\$ 3,411,741</u>

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

Year Ending <u>June 30,</u>		
2021	\$	200,047
2022	\$	200,047
2023	\$	200,047
2024	\$	200,047
2025	\$	200,047
Thereafter	\$	923,692

The effect of changes in assumptions are amortized over a closed period of 10 years as of the June 30, 2020 measurement date.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - JOINT POWERS AGREEMENTS

Davis Joint Unified School District participates in one joint venture under joint powers agreement (JPA) with North Bay Schools Insurance Authority (NBSIA). The relationship between Davis Joint Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

NBSIA arranges for and provides property, liability, and workers' compensation insurance coverage for its members. The JPA's governing board consist of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district is obligated to pay an amount commensurate with the level of coverage requested and may be subject to assessments. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. have been no significant reductions in insurance coverage in the prior year.

Condensed financial information for the year ended June 30, 2019 (most recent information available) is as follows:

Total assets	\$	73,492,799
Total deferred outflows of resources	\$	725,560
Total liabilities	\$	44,233,619
Total deferred inflows of resources	\$	121,264
Net position	\$	29,863,476
Total revenues	\$	30,039,641
Total expenditures	\$	28,685,345
Change in net position	\$	1,354,296

NOTE 11 - CONTINGENCIES

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

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

As of June 30, 2020, the District has approximately \$660,000 in outstanding commitments on ongoing construction contracts.

(Continued)

NOTE 12 – COVID-19 PANDEMIC IMPACT

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

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

REQUIRED SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 36,371,085	\$ 35,712,600	\$ 35,677,442	\$ (35,158)
Local sources	<u>34,044,686</u>	<u>34,363,405</u>	<u>34,744,989</u>	<u>381,584</u>
Total LCFF	<u>70,415,771</u>	<u>70,076,005</u>	<u>70,422,431</u>	<u>346,426</u>
Federal sources	2,824,657	2,845,537	2,717,495	(128,042)
Other state sources	7,517,841	9,257,717	9,280,966	23,249
Other local sources	<u>15,129,766</u>	<u>17,013,957</u>	<u>17,785,644</u>	<u>771,687</u>
Total revenues	<u>95,888,035</u>	<u>99,193,216</u>	<u>100,206,536</u>	<u>1,013,320</u>
Expenditures:				
Current:				
Certificated salaries	42,803,100	43,452,974	43,872,275	(419,301)
Classified salaries	18,506,721	18,562,557	18,667,569	(105,012)
Employee benefits	22,351,369	23,468,115	22,957,704	510,411
Books and supplies	2,804,885	3,853,690	2,752,688	1,101,002
Contract services and operating expenditures	9,914,751	11,765,006	9,982,383	1,782,623
Other outgo	333,467	416,705	741,364	(324,659)
Capital outlay	755,995	786,228	1,554,002	(767,774)
Debt service:				
Principal retirement	155,978	183,443	155,976	27,467
Interest	<u>13,289</u>	<u>16,521</u>	<u>13,289</u>	<u>3,232</u>
Total expenditures	<u>97,639,555</u>	<u>102,505,239</u>	<u>100,697,250</u>	<u>1,807,989</u>
Deficiency of revenues under expenditures	<u>(1,751,520)</u>	<u>(3,312,023)</u>	<u>(490,714)</u>	<u>2,821,309</u>
Other financing sources (uses):				
Transfers in	-	-	299,372	299,372
Transfers out	-	-	(805,253)	(805,253)
Proceeds from capital lease	-	-	91,339	91,339
Other financing resource	<u>-</u>	<u>-</u>	<u>116,077</u>	<u>116,077</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(298,465)</u>	<u>(298,465)</u>
Net change in fund balance	(1,751,520)	(3,312,023)	(789,179)	2,522,844
Fund balance, July 1, 2019	<u>10,523,972</u>	<u>10,523,972</u>	<u>10,523,972</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 8,772,452</u>	<u>\$ 7,211,949</u>	<u>\$ 9,734,793</u>	<u>\$ 2,522,844</u>

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 CHARTER SCHOOLS FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 2,913,172	\$ 2,927,824	\$ 2,857,511	\$ (70,313)
Local sources	<u>2,230,477</u>	<u>2,188,286</u>	<u>2,301,747</u>	<u>113,461</u>
Total LCFF	<u>5,143,649</u>	<u>5,116,110</u>	<u>5,159,258</u>	<u>43,148</u>
Other state sources	325,350	471,959	421,312	(50,647)
Other local sources	<u>8,153</u>	<u>8,153</u>	<u>83,208</u>	<u>75,055</u>
Total revenues	<u>5,477,152</u>	<u>5,596,222</u>	<u>5,663,778</u>	<u>67,556</u>
Expenditures:				
Current:				
Certificated salaries	2,176,140	2,306,222	2,053,277	252,945
Classified salaries	354,718	361,099	354,453	6,646
Employee benefits	891,563	996,820	916,205	80,615
Books and supplies	137,096	137,096	112,962	24,134
Contract services and operating expenditures	1,780,499	1,780,499	1,689,376	91,123
Capital outlay	<u>149,034</u>	<u>149,034</u>	<u>120,159</u>	<u>28,875</u>
Total expenditures	<u>5,489,050</u>	<u>5,730,770</u>	<u>5,246,432</u>	<u>484,338</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(11,898)</u>	<u>(134,548)</u>	<u>417,346</u>	<u>551,894</u>
Other financing uses:				
Transfers out	<u>(236,446)</u>	<u>(236,446)</u>	<u>(148,482)</u>	<u>87,964</u>
Net change in fund balance	(248,344)	(370,994)	268,864	639,858
Fund balance, July 1, 2019	<u>626,516</u>	<u>626,516</u>	<u>626,516</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 378,172</u>	<u>\$ 255,522</u>	<u>\$ 895,380</u>	<u>\$ 639,858</u>

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2020

	Last 10 Fiscal Years		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 1,073,858	\$ 1,103,389	\$ 1,230,447
Interest	568,248	569,211	645,442
Difference in expected and actual experience			(3,759,878)
Changes in assumptions	-	825,502	5,131,404
Employer Contributions	<u>(355,246)</u>	<u>(369,456)</u>	<u>(397,772)</u>
Net change in total OPEB liability	1,286,860	2,128,646	2,849,643
Total OPEB liability, beginning of year	<u>14,609,350</u>	<u>15,896,210</u>	<u>18,024,856</u>
Total OPEB liability, end of year	<u>\$ 15,896,210</u>	<u>\$ 18,024,856</u>	<u>\$ 20,874,499</u>
Covered employee payroll	\$ 45,601,512	\$ 48,476,376	\$ 68,030,374
Total OPEB liability as a percentage of covered-employee payroll	35%	37%	31%

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

	State Teachers' Retirement Plan Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.084%	0.083%	0.080%	0.078%	0.082%	0.079%
District's proportionate share of the net pension liability	\$ 48,887,000	\$ 55,700,000	\$ 64,757,000	\$ 71,701,000	\$ 75,360,000	\$ 70,976,000
State's proportionate share of the net pension liability associated with the District	<u>29,520,000</u>	<u>29,459,000</u>	<u>36,868,000</u>	<u>42,418,000</u>	<u>43,148,000</u>	<u>38,722,000</u>
Total net pension liability	<u>\$ 78,407,000</u>	<u>\$ 85,159,000</u>	<u>\$ 101,625,000</u>	<u>\$ 114,119,000</u>	<u>\$ 118,508,000</u>	<u>\$ 109,698,000</u>
District's covered payroll	\$ 37,216,000	\$ 38,401,000	\$ 39,902,000	\$ 41,091,000	\$ 43,304,000	\$ 44,124,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	174.03%	160.86%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

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

All years prior to 2015 are not available.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.129%	0.135%	0.133%	0.132%	0.137%	0.137%
District's proportionate share of the net pension liability	\$ 14,657,000	\$ 19,902,000	\$ 26,239,000	\$ 31,443,000	\$ 36,454,000	\$ 39,803,000
District's covered payroll	\$ 13,553,000	\$ 14,949,000	\$ 15,939,000	\$ 16,793,000	\$ 18,075,000	\$ 18,937,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.13%	164.62%	187.24%	201.68%	210.19%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior. All years prior to 2015 are not available.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2020

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 3,409,992	\$ 4,281,476	\$ 5,196,394	\$ 6,248,751	\$ 7,183,395	\$ 7,445,584
Contributions in relation to the contractually required contribution	<u>3,409,992</u>	<u>4,281,476</u>	<u>5,196,394</u>	<u>6,248,751</u>	<u>7,183,395</u>	<u>7,445,584</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered payroll	\$ 38,401,000	\$ 39,902,000	\$ 41,091,000	\$ 43,304,000	\$ 44,124,000	\$ 41,068,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *

All years prior to 2015 are not available.

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2020

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 1,759,547	\$ 1,888,245	\$ 2,331,676	\$ 2,807,154	\$ 3,420,427	\$ 3,850,421
Contributions in relation to the contractually required contribution	<u>1,759,547</u>	<u>1,888,245</u>	<u>2,331,676</u>	<u>2,807,154</u>	<u>3,420,427</u>	<u>3,850,421</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered payroll	\$ 14,949,000	\$ 15,939,000	\$ 16,793,000	\$ 18,075,000	\$ 18,937,000	\$ 19,524,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The changes in assumptions for the total OPEB liability included a change in the discount rate, from 3.50% in the June 30, 2019 actuarial report to 2.20% from the June 30, 2020 actuarial report

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017 and 2018 actuarial reports, respectively.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund	Debt Service Fund	Total
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ 185,405	\$ 128,890	\$ 252,486	\$ 1,477,189	\$ (135)	\$ 9,630,690	\$ 11,674,525
Cash in Banks	-	-	1,374	-	-	-	1,374
Cash awaiting deposit	400	-	1,380	-	-	-	1,780
Cash in revolving fund	1,000	-	-	-	-	-	1,000
Cash with Fiscal Agent	-	-	-	-	-	2,899,490	2,899,490
Receivables	117,735	-	425,409	1,524	-	-	544,668
Due from other funds	394	496	93	618,484	1,100,000	-	1,719,467
Stores inventory	-	-	34,545	-	-	-	34,545
Total assets	<u>\$ 304,934</u>	<u>\$ 129,386</u>	<u>\$ 715,287</u>	<u>\$ 2,097,197</u>	<u>\$ 1,099,865</u>	<u>\$ 12,530,180</u>	<u>\$ 16,876,849</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 5,624	\$ 2,200	\$ 202,845	\$ 23,845	\$ -	\$ -	\$ 234,514
Due to other funds	23,781	69,638	444,032	29,464	-	-	566,915
Unearned Revenue	-	-	8,493	-	-	-	8,493
Total liabilities	<u>29,405</u>	<u>71,838</u>	<u>655,370</u>	<u>53,309</u>	<u>-</u>	<u>-</u>	<u>809,922</u>
Fund balances:							
Nonspendable	1,000	-	34,545	-	-	-	35,545
Restricted	274,529	57,548	25,372	2,043,888	1,099,865	12,530,180	16,031,382
Total fund balance	<u>275,529</u>	<u>57,548</u>	<u>59,917</u>	<u>2,043,888</u>	<u>1,099,865</u>	<u>12,530,180</u>	<u>16,066,927</u>
Total liabilities and fund balances	<u>\$ 304,934</u>	<u>\$ 129,386</u>	<u>\$ 715,287</u>	<u>\$ 2,097,197</u>	<u>\$ 1,099,865</u>	<u>\$ 12,530,180</u>	<u>\$ 16,876,849</u>

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund	Debt Service Fund	Total
Revenues:							
Federal Sources	-	-	944,748	-	-	-	944,748
Other state sources	434,136	215,118	157,645	-	-	-	806,899
Other local sources	246,485	137,692	977,846	1,294,804	(135)	9,857,821	12,514,513
Total revenues	<u>680,621</u>	<u>352,810</u>	<u>2,080,239</u>	<u>1,294,804</u>	<u>(135)</u>	<u>9,857,821</u>	<u>14,266,160</u>
Expenditures:							
Current:							
Certificated salaries	292,748	207,292	-	-	-	-	500,040
Classified salaries	98,154	142,543	1,303,642	-	-	-	1,544,339
Employee benefits	131,642	129,978	448,530	-	-	-	710,150
Books and supplies	16,376	7,032	733,799	523,382	-	-	1,280,589
Contract services and operating expenditures	58,332	25,260	53,527	101,359	-	-	238,478
Capital outlay	-	-	28,232	677,333	-	-	705,565
Debt service:							
Principal retirement	-	-	-	100,844	-	1,928,476	2,029,320
Interest	-	-	-	-	-	1,170,136	1,170,136
Total expenditures	<u>597,252</u>	<u>512,105</u>	<u>2,567,730</u>	<u>1,402,918</u>	<u>-</u>	<u>3,098,612</u>	<u>8,178,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,369</u>	<u>(159,295)</u>	<u>(487,491)</u>	<u>(108,114)</u>	<u>(135)</u>	<u>6,759,209</u>	<u>6,087,543</u>
Other financing sources (uses):							
Transfers in	-	193,023	595,252	-	1,100,000	-	1,888,275
Transfers out	(23,322)	(31,917)	(95,651)	-	-	(1,900,000)	(2,050,890)
Proceeds from issuance of capital leases	-	-	-	457,905	-	-	457,905
Total other financing sources (uses)	<u>(23,322)</u>	<u>161,106</u>	<u>499,601</u>	<u>457,905</u>	<u>1,100,000</u>	<u>(1,900,000)</u>	<u>295,290</u>
Net change in fund balances	60,047	1,811	12,110	349,791	1,099,865	4,859,209	6,382,833
Fund balance, July 1, 2019	<u>215,482</u>	<u>55,737</u>	<u>47,807</u>	<u>1,694,097</u>	<u>-</u>	<u>7,670,971</u>	<u>9,684,094</u>
Fund balance, June 30, 2020	<u>\$ 275,529</u>	<u>\$ 57,548</u>	<u>\$ 59,917</u>	<u>\$ 2,043,888</u>	<u>\$ 1,099,865</u>	<u>\$ 12,530,180</u>	<u>\$ 16,066,927</u>

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2020

<u>Student Body</u>	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<u>Davis High School</u>				
Assets:				
Cash on hand and in banks	\$ 145,520	\$ 136,395	\$ 131,040	\$ 150,875
Liabilities:				
Due to student groups	\$ 145,520	\$ 136,395	\$ 131,040	\$ 150,875
<u>DaVinci High School</u>				
Assets:				
Cash on hand and in banks	\$ 2,586	\$ 8,517	\$ 5,097	\$ 6,006
Liabilities:				
Due to student groups	\$ 2,586	\$ 8,517	\$ 5,097	\$ 6,006
<u>Emerson Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 7,402	\$ 44,441	\$ 37,263	\$ 14,580
Liabilities:				
Due to student groups	\$ 7,402	\$ 44,441	\$ 37,263	\$ 14,580
<u>Harper Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 10,466	\$ 19,397	\$ 14,722	\$ 15,141
Liabilities:				
Due to student groups	\$ 10,466	\$ 19,397	\$ 14,722	\$ 15,141
<u>Holmes Middle School</u>				
Assets:				
Cash on hand and in banks	\$ 21,326	\$ 16,400	\$ 18,427	\$ 19,299
Liabilities:				
Due to student groups	\$ 21,326	\$ 16,400	\$ 18,427	\$ 19,299
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ 187,300	\$ 225,150	\$ 206,549	\$ 205,901
Liabilities:				
Due to student groups	\$ 187,300	\$ 225,150	\$ 206,549	\$ 205,901

DAVIS JOINT UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2020

Davis Joint Unified School District was established on July 1, 1962 and comprises an area located in Solano and Yolo Counties. There were no changes in District boundaries during the current year. The District covers an area of approximately 15 square miles. The District operated nine elementary schools (three TK-6, five K-6, and one K-3 grades schools), three junior high schools (grades 7-9), one comprehensive high school (grades 10-12), and one dependent charter school (grades 7-12). The District also operated an independent study program, a continuation high school, an adult education school, a preschool program, and a teacher credentialing program.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Cindy Pickett	President	December 2022*
Joe DiNunzio	Vice President/Clerk	December 2022
Tom Adams	Trustee	December 2022
Robert Poppenga	Trustee	December 2020
Alan Fernandes	Trustee	December 2020

ADMINISTRATION

John A. Bowes, Ed.D.
Superintendent

Bruce Colby**
Chief Business and Operations Officer

Mathew Best
Deputy Superintendent

Rody Boonchouy
Associate Superintendent, Instructional Services

*Cindy Pickett vacated the Governing Board effective June 30, 2020. The Governing Board seat was filled during the November 2020 General Election.

**Bruce Colby retired effective July 31, 2020. Amari Watkins was hired effective August 24, 2020 as the new Associate Superintendent of Business Services.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2020

	<u>Second Period Report</u>	<u>Revised Second Period Report</u>	<u>Annual Report</u>
DISTRICT			
Certificate Numbers	333DFBEF	**	D6370ECD
Elementary:			
Transitional Kindergarten through Third	2,268		2,268
Fourth through Sixth	1,819		1,819
Seventh and Eighth	1,156		1,156
Special Education	10		10
Subtotal elementary	5,253		5,253
Secondary:			
Nine through Twelfth	2,345		2,345
Continuation Education	36		36
Special Education	3		3
Subtotal secondary	2,384		2,384
District totals	7,637		7,637
CHARTER SCHOOLS			
Certificate Numbers	C643F8E6	DB3FCBB0	D372C2A6
<u>Classroom-based Charter</u>			
Elementary:			
Seventh through Eighth	183	182	182
Secondary:			
Ninth through Twelfth	371	368	368
Total	554	550	550

**There was no revised P2 for the District's ADA.

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2020

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2019-20 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	36,000	180	In Compliance
Grade 1	50,400	50,500	180	In Compliance
Grade 2	50,400	50,500	180	In Compliance
Grade 3	50,400	50,500	180	In Compliance
Grade 4	54,000	54,490	180	In Compliance
Grade 5	54,000	54,490	180	In Compliance
Grade 6	54,000	54,490	180	In Compliance
Grade 7	54,000	54,000	180	In Compliance
Grade 8	54,000	54,000	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance
<u>Classroom-based Charter School</u>				
Grade 7	54,000	65,920	180	In Compliance
Grade 8	54,000	65,920	180	In Compliance
Grade 9	64,800	65,920	180	In Compliance
Grade 10	64,800	64,809	180	In Compliance
Grade 11	64,800	64,809	180	In Compliance
Grade 12	64,800	64,809	180	In Compliance

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance, Part B, Section 611	13379	\$ 1,564,483
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619	13430	26,512
84.027	Special Education: IDEA Mental Health, Part B, Section 619	14468	89,870
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	307
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Private School ISPs	10115	<u>24,378</u>
	Subtotal Special Education Cluster		<u>1,705,550</u>
84.365	ESEA: Title III Limited English Proficient (LEP) Student Program	14346	70,484
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	718,368
84.367	ESEA: Title I, Part A, Improving Teacher Quality Local Grants	14341	154,989
84.424	ESEA: Title IV, Part A, Student Support		25,919
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	<u>42,185</u>
	Total U.S. Department of Education		<u>2,717,495</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education:</u>			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13524	<u>944,748</u>
	Total Federal Programs		<u>\$ 3,662,243</u>

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

	Bond Interest and Redemption <u>Fund</u>
June 30, 2020 Unaudited Actual Financial Reporting Ending Fund Balance	\$ 15,665,415
Adjustment to recognize the refunding of General Obligation bonds	<u>(4,940,000)</u>
June 30, 2020 Audited Financial Statements Ending Fund Balance	<u>\$ 10,725,415</u>

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

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2020
(UNAUDITED)

	(Adopted Budget) <u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund				
Revenues and other financing sources	\$ <u>103,550,117</u>	\$ <u>100,713,324</u>	\$ <u>103,967,697</u>	\$ <u>90,853,502</u>
Expenditures	103,240,830	100,697,250	101,273,085	95,160,179
Other uses and transfers out	<u>950,711</u>	<u>805,253</u>	<u>490,599</u>	<u>270,342</u>
Total outgo	<u>104,191,541</u>	<u>101,502,503</u>	<u>101,763,684</u>	<u>95,430,521</u>
Change in fund balance	\$ <u>(641,424)</u>	\$ <u>(789,179)</u>	\$ <u>2,204,013</u>	\$ <u>(4,577,019)</u>
Ending fund balance	\$ <u>9,093,369</u>	\$ <u>9,734,793</u>	\$ <u>10,523,972</u>	\$ <u>8,319,959</u>
Available reserves	\$ <u>3,125,746</u>	\$ <u>3,036,095</u>	\$ <u>5,488,839</u>	\$ <u>5,289,025</u>
Designated for economic uncertainties	\$ <u>3,125,746</u>	\$ <u>3,036,095</u>	\$ <u>4,639,226</u>	\$ <u>5,289,025</u>
Undesignated fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>849,613</u>	\$ <u>-</u>
Available reserves as percentages of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>5.4%</u>	<u>5.5%</u>
All Funds				
Total long-term liabilities	\$ <u>332,014,638</u>	\$ <u>342,793,872</u>	\$ <u>242,926,999</u>	\$ <u>189,613,664</u>
Average daily attendance at P-2, excluding Charter	<u>7,615</u>	<u>7,637</u>	<u>7,677</u>	<u>7,687</u>

The General Fund fund balance has decreased by \$3,162,185 over the past three years. The fiscal year 2020-2021 budget projects a decrease of \$641,424. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District has met this requirement.

The District has incurred an operating deficit for two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2020-2021.

Total long-term liabilities have increased by \$153,180,208 over the past two years.

Average daily attendance has decreased by 50 over the past two years. The District anticipates an decrease of 22 ADA for fiscal year 2020-2021.

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2020

Charter Schools Chartered by District

#1079 Da Vinci Junior High and High School Academy

Included in District
Financial Statements, or
Separate Report

Included in the District's Financial
Statements as the Charter Schools
Fund

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in 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.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on July 14, 2020.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of the District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed un the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2020.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2020-2021 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2020, the District did not adopt such a program.

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

Board of Education
Davis Joint Unified School District
Davis, California

Report on Compliance with State Laws and Regulations

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

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

(Continued)

The District's reported ADA for Continuation Education was below the materiality level that requires testing; therefore, we did not perform any testing of Continuation Education.

The District did not offer an Early Retirement Incentive Program for the current year; therefore, we did not perform any procedures related to this program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

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

The District does not operate a transportation program; therefore, we did not perform any procedures related to Transportation Maintenance of Effort.

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

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

The District did not operate an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

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

The District does not operate a Nonclassroom-Based Charter School; therefore, we did not perform any testing of Nonclassroom-Based Instruction/Independent Study and Determination of Funding for Nonclassroom-Based Instruction, for charter schools.

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

Management's Responsibility

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

Auditor's Responsibility

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

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

(Continued)

Opinion on Compliance with State Laws and Regulations

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

Purpose of this Report

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


Crowe LLP

Sacramento, California
January 28, 2021

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

Board of Education
Davis Joint Unified School District
Davis, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis Joint Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Davis Joint Unified School District's basic financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis Joint Unified School 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*.

Purpose of this Report

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


Crowe LLP

Sacramento, California
January 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Davis Joint Unified School District
Davis, California

Report on Compliance for the Major Federal Program

We have audited Davis Joint Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Davis Joint Unified School District's major federal program for the year ended June 30, 2020. Davis Joint Unified School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Davis Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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


Crowe LLP

Sacramento, California
January 28, 2021

FINDINGS AND RECOMMENDATIONS

DAVIS JOINT UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

DAVIS JOINT UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2020

Finding - 2019-001

Condition: At Holmes Middle School, two students were improperly included in the attendance report to the State for a total misstatement 2 days.

Recommendation: The District should ensure attendance records are accurately recorded.

Current Status: Implemented