LARKSPUR-CORTE MADERA SCHOOL DISTRICT

MARIN COUNTY

AUDIT REPORT

For the Fiscal Year Ended June 30, 2019

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
Table of Contents

FINANCIAL SECTION

Page

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

FINDINGS AND RECOMMENDATIONS

Financial Section

(This page intentionally left blank)

NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Larkspur-Corte Madera School District
Larkspur, 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 Larkspur-Corte Madera School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 Larkspur-Corte Madera School District, as of June 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • *Licensed by the California Board of Accountancy*

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information on pages 62 to 66 is 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 61 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC.

Murrieta, California
December 15, 2019

This discussion and analysis of Larkspur-Corte Madera School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall revenues were $27.8 million, and overall expenses were $26.5 million.
- The District's net position increased by approximately $1.2 million.
- The total cost of the basic programs was $26.5 million. Because a portion of these costs were paid for with charges, fees and intergovernmental aid, the net cost that required taxpayer funding was $20.0 million.
- The District decreased its outstanding long-term debt by roughly $0.4 million.
- Average daily attendance (ADA) in grades K-8 declined by 2, or 0.1%.
- Governmental funds increased by $3.0 million, or 43.5%.
- Reserves for the General Fund decreased by $0.3 million, or 16.7%.

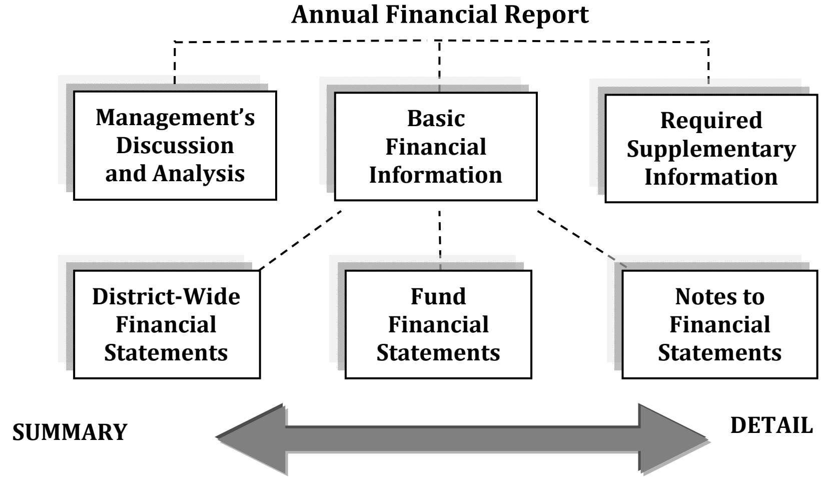
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Larkspur-Corte Madera School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be 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 on a separate reconciliation page that explains the relationship (or differences) between them.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the 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. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2019, than it was the year before – increasing 5.6% to $(20.6) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2019	**2018**	**(Decrease)**
Current assets	$ 10,618,738	$ 7,702,812	$ 2,915,926
Capital assets	51,260,306	52,880,943	(1,620,637)
Total assets	61,879,044	60,583,755	1,295,289
Total deferred outflows	6,152,744	6,160,532	(7,788)
Current liabilities	1,427,422	1,550,515	(123,093)
Long-term liabilities	64,131,194	64,566,499	(435,305)
Net pension liability	21,435,505	20,308,441	1,127,064
Total liabilities	86,994,121	86,425,455	568,666
Total deferred inflows	1,627,811	2,122,293	(494,482)
Net Position			
Net investment in capital assets	(4,360,700)	(3,902,279)	(458,421)
Restricted	8,343,029	4,979,724	3,363,305
Unrestricted	(24,572,473)	(22,880,906)	(1,691,567)
Total net position	$ (20,590,144)	$ (21,803,461)	$ 1,213,317

Changes in net position, governmental activities. The District's total revenues increased 8.5% to $27.8 million (See Table A-2). The increase is due primarily to increased federal and state aid.

The total cost of all programs and services increased 5.7% to $26.5 million. The District's expenses are predominantly related to educating and caring for students, 66.5%. The purely administrative activities of the District accounted for just 6.7% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase
	2019	**2018**	**(Decrease)**
Revenues			
Program Revenues:			
Charges for services	$ 224,595	$ 562,968	$ (338,373)
Operating grants & contributions	3,141,702	2,873,668	268,034
Capital grants & contributions	3,244,280	1,791,603	1,452,677
General Revenues:			
Property taxes	15,600,807	17,073,092	(1,472,285)
Federal & state aid	4,367,997	1,791,995	2,576,002
Interest & investment earnings	40,582	42,508	(1,926)
Miscellaneous and interagency	1,137,626	1,451,036	(313,410)
Total Revenues	27,757,589	25,586,870	2,170,719
Expenses:			
Instruction	16,295,792	14,938,081	1,357,711
Pupil services	1,365,837	1,667,844	(302,007)
Administration	1,770,170	1,700,682	69,488
Plant services	2,282,559	2,179,236	103,323
All other activities	4,829,914	4,619,101	210,813
Total Expenses	26,544,272	25,104,944	1,439,328
Increase (decrease) in net position	$ 1,213,317	$ 481,926	$ 731,391
Total Net Position	$ (20,590,144)	$ (21,803,461)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $10.0 million, which is above last year's ending fund balance of $7.0 million. The primary cause of the increased fund balance is funding received for school facilities projects.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
Fund					
General Fund	$ 1,660,687	$ 21,167,245	$ 21,243,054	$ (77,000)	$ 1,507,878
Cafeteria Fund	98,007	355,787	427,783	63,000	89,011
Deferred Maintenance Fund	179,575	500	113,609	14,000	80,466
Building Fund	254,923	4,518	1	-	259,440
Capital Facilities Fund	112,258	60,252	10,363	-	162,147
County School Facilities Fund	1,668,840	3,244,280	605,676	-	4,307,444
Bond Interest and Redemption Fund	2,986,089	4,255,856	3,661,075	-	3,580,870
	$ 6,960,379	$ 29,088,438	$ 26,061,561	$ -	$ 9,987,256

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $1.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $1.0 million due to negotiated pay increases.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $0.3 million, the actual results for the year show that expenditures exceeded revenues by $75,809. Actual revenues were $0.3 million less than anticipated, and expenditures were $0.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested $0.4 million in new capital assets, related to its ongoing modernization efforts. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year approximated $2.1 million.

Table A-4: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2019	**2018**	
Land	$ 279,448	$ 279,448	$ -
Construction in progress	14,223	-	14,223
Building & improvements	1,065,548	883,150	182,398
Improvement of sites	49,788,850	51,567,440	(1,778,590)
Equipment & vehicles	112,237	150,905	(38,668)
Total	$ 51,260,306	$ 52,880,943	$ (1,620,637)

Long-Term Debt

At year-end the District had $64.1 million in long-term debt other than pensions – a decrease of 0.7% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2019	**2018**	
General obligation bonds	$ 63,058,564	$ 64,199,416	$ (1,140,852)
Compensated absences	50,391	64,789	(14,398)
Early retirement incentive	756,241	-	756,241
Other post employment benefits	265,998	302,294	(36,296)
Total	$ 64,131,194	$ 64,566,499	$ (435,305)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes $5.9 Billion in Additional Unfunded Liability Payments
Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates $5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses $2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes $1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes $1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and $660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations
Under the spending plan, Proposition 98 funding for 2019-20 increases $2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) $493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) $153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years
The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides $606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides $244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

All of these factors were considered in preparing the Larkspur-Corte Madera School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (415) 927-6960.

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Statement of Net Position

June 30, 2019

		Total Governmental Activities
ASSETS		
Cash	$	9,412,464
Accounts receivable		1,169,508
Prepaid expenses		36,766
Non-depreciable assets		293,671
Depreciable assets		74,461,572
Less accumulated depreciation		(23,494,937)
Total assets		61,879,044
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions		5,778,335
Deferred outflows of resources - OPEB		981
Unamortized power purchase costs		282,625
Deferred amounts on refunding		90,803
Total deferred outflows of resources		6,152,744
LIABILITIES		
Accounts payable		1,427,422
Long-term liabilities other than pensions:		
Portion due or payable within one year		2,045,826
Portion due or payable after one year		62,085,368
Net pension liability		21,435,505
Total liabilities		86,994,121
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions		1,624,973
Deferred inflows of resources - OPEB		2,838
Total deferred inflows of resources		1,627,811
NET POSITION		
Net investment in capital assets		(4,360,700)
Restricted for:		
Capital projects		4,469,591
Debt service		3,580,870
Categorical Programs		292,568
Unrestricted		(24,572,473)
Total net position	$	(20,590,144)

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense)
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Revenue and Changes in Net Position**
Governmental Activities:					
Instruction	$ 14,132,912	$ -	$ 2,588,352	$ 3,244,280	$ (8,300,280)
Instruction-Related Services:					
Supervision of instruction	150,486	-	41,870	-	(108,616)
Instructional library, media and technology	356,785	-	1,487	-	(355,298)
School site administration	1,655,609	-	35,116	-	(1,620,493)
Pupil Support Services:					
Home-to-school transportation	83,509	-	7,303	-	(76,206)
Food services	432,321	224,595	132,586	-	(75,140)
All other pupil services	850,007	-	155,088	-	(694,919)
General Administration Services:					
Data processing services	53,863	-	-	-	(53,863)
Other general administration	1,716,307	-	63,372	-	(1,652,935)
Plant services	2,282,559	-	66,206	-	(2,216,353)
All other activities	37,013	-	10,438	-	(26,575)
Interest on long-term debt	2,564,837	-	-	-	(2,564,837)
Other outgo	158,803	-	39,884	-	(118,919)
Depreciation (unallocated)	2,069,261	-	-	-	(2,069,261)
Total Governmental Activities	$ 26,544,272	$ 224,595	$ 3,141,702	$ 3,244,280	(19,933,695)

General Revenues:	
Property taxes	15,600,807
Federal and state aid not restricted to specific purpose	4,367,997
Interest and investment earnings	40,582
Interagency revenues	675
Miscellaneous	1,136,951
Total general revenues	21,147,012
Change in net position	1,213,317
Net position - July 1, 2018	(21,803,461)
Net position - June 30, 2019	$ (20,590,144)

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 989,221	$ 4,325,105	$ 3,580,870	$ 517,268	$ 9,412,464
Accounts receivable	1,153,957	-	-	15,551	1,169,508
Due from other funds	20,679	-	-	-	20,679
Prepaid expenditures	36,766	-	-	-	36,766
Total Assets	$ 2,200,623	$ 4,325,105	$ 3,580,870	$ 532,819	$ 10,639,417
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 612,279	$ 17,661	$ -	$ 1,542	$ 631,482
Due to other funds	-	-	-	20,679	20,679
Total Liabilities	612,279	17,661	-	22,221	652,161
Fund Balances					
Nonspendable	37,766	-	-	-	37,766
Restricted	203,557	4,307,444	3,580,870	510,598	8,602,469
Assigned	80,466	-	-	-	80,466
Unassigned	1,266,555	-	-	-	1,266,555
Total Fund Balances	1,588,344	4,307,444	3,580,870	510,598	9,987,256
Total Liabilities and Fund Balances	$ 2,200,623	$ 4,325,105	$ 3,580,870	$ 532,819	$ 10,639,417

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds		$ 9,987,256
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets relating to governmental activities:	74,755,243	
Accumulated depreciation:	(23,494,937)	
Net:		51,260,306
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.		(21,435,505)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:		90,803
In governmental funds, costs associated with the power purchase agreement are recognized as expenditures in the period they are incurred. In the government-wide statements, power purchase costs are amortized over the life of the debt. Unamortized costs included in deferred outflows on the statement of net position are:		282,625
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources	5,778,335	
Deferred inflows of resources	(1,624,973)	4,153,362
In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net positions, deferred outflows and inflows of resources related to OPEB are reported.		
Deferred outflows of resources related to OPEB	981	
Deferred inflows of resources related to OPEB	(2,838)	(1,857)
Long-term liabilities, including bonds payable, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds payable	63,058,564	
Other postemployment benefits payable	265,998	
Early Retirement Incentive	756,241	
Compensated absences payable	50,391	(64,131,194)
In government funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(795,940)
Total net position - governmental activities		$ (20,590,144)

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 12,132,982	$ -	$ -	$ -	$ 12,132,982
Federal sources	317,180	-	-	125,613	442,793
Other state sources	2,412,796	3,193,882	14,896	4,982	5,626,556
Other local sources	6,304,787	50,398	4,240,960	289,962	10,886,107
Total Revenues	21,167,745	3,244,280	4,255,856	420,557	29,088,438
EXPENDITURES					
Current:					
Instruction	14,269,109	-	-	-	14,269,109
Instruction-Related Services:					
Supervision of instruction	165,340	-	-	-	165,340
Instructional library, media and technology	362,007	-	-	-	362,007
School site administration	1,701,198	-	-	-	1,701,198
Pupil Support Services:					
Home-to-school transportation	83,509	-	-	-	83,509
Food services	1,395	-	-	427,783	429,178
All other pupil services	888,877	-	-	-	888,877
Ancillary services	32,974	-	-	-	32,974
General Administration Services:					
Data processing services	53,863	-	-	-	53,863
Other general administration	1,679,640	-	-	-	1,679,640
Plant services	1,961,198	143,998	-	10,364	2,115,560
Capital outlay	-	461,678	-	-	461,678
Intergovernmental transfers	157,553	-	-	-	157,553
Debt service:					
Principal	-	-	1,065,873	-	1,065,873
Interest	-	-	2,595,202	-	2,595,202
Total Expenditures	21,356,663	605,676	3,661,075	438,147	26,061,561
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,918)	2,638,604	594,781	(17,590)	3,026,877
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	-	63,000	63,000
Interfund transfers out	(63,000)	-	-	-	(63,000)
Total Other Financing Sources and Uses	(63,000)	-	-	63,000	-
Net Change in Fund Balances	(251,918)	2,638,604	594,781	45,410	3,026,877
Fund Balances, July 1, 2018	1,840,262	1,668,840	2,986,089	465,188	6,960,379
Fund Balances, June 30, 2019	$ 1,588,344	$ 4,307,444	$ 3,580,870	$ 510,598	$ 9,987,256

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds			$ 3,026,877
Amounts reported for governmental *activities* in the statement of activities are different because:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:			
	Expenditures for capital outlay	448,624	
	Depreciation expense:	(2,069,261)	
	Net:		(1,620,637)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Expenditures for payment of the liability was:			1,065,873
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, including early retirement incentives. This year, expenses incurred for such obligations were:			(756,241)
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the fund financial statements. However, it is accrued as an expense in the government-wide financial statements in the period that the interest accretes. Accreted interest earned exceeded the amount paid during the year by:			(16,847)
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The premiums amortized for the period were:			91,826
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized to interest expense over the life of the liability.			(13,942)
In governmental funds, power purchase agreement costs are recognized as expenditures in the period they are incurred. In the government-wide statements, agreement costs are amortized over the life of the benefit. The difference between costs recognized in the current period and unamortized costs for the period is:			(16,625)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, was:			12,142
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:			(577,122)
In the statement of activities, certain operating expenses, compensated absences and early retirement incentives, for example, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The difference between the amounts earned and paid was:			14,398
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:			3,615
Change in net position of governmental activities			$ 1,213,317

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2019

	Student Body Funds
ASSETS	
Cash	$ 16,214
Total assets	16,214
LIABILITIES	
Due to student groups	16,214
Total liabilities	$ 16,214

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Larkspur-Corte Madera 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:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Larkspur-Corte Madera School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Other

The following potential component unit was not included as part of the District's reporting entity because the resources provided to the District did not meet the criteria of being considered "significant" to the District's operations.

1. Larkspur Schools Foundation (SPARK)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund which does not meet the definition of a Special Revenue Fund as it is not primarily comprised of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

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

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds (continued):

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

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and improvements	20-40 years
Improvement of sites	14-20 years
Equipment and vehicles	6-15 years

4. Unearned Revenue

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Pensions

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

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties that meets or exceeds double the requirements of 5 CCR 15443, which require no less than three percent of total General Fund expenditures and other financing uses.

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

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

   This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

1. (continued)
   Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

   The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

   This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

   This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

   For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

   The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements
Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

   This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

   This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

   This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

   For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

   This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)
Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH

Cash at June 30, 2019, is reported at fair value and consisted of the following:

	Governmental Activities/ Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	$ 9,326,464	$ -
Deposits:		
Cash on hand and in banks	1,000	16,214
Cash in revolving fund	85,000	-
Total Deposits	86,000	16,214
Total Cash	$ 9,412,464	$ 16,214

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

NOTE 2 – CASH (continued)

Pooled Funds (continued)
In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Fair Value Measurements
The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Marin County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal Government:			
Categorical aid programs	$ 403,991	$ 14,772	$ 418,763
State Government:			
LCFF	79,882	-	79,882
Lottery	38,673	-	38,673
Child Nutrition	-	779	779
Categorical aid programs	55,432	-	55,432
Local:			
Other local	575,979	-	575,979
Total	$ 1,153,957	$ 15,551	$ 1,169,508

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

Cafeteria Fund due to General Fund for net service contribution	$ 13,691
Capital Facilities Fund due to General Fund for administrative charges	6,988
Total	$ 20,679

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

General Fund transfer to the Cafeteria Fund for service contribution	$ 63,000

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 1,000	$ -	$ -	$ -	$ 1,000
Prepaid expenditures	36,766	-	-	-	36,766
Total Nonspendable	37,766	-	-	-	37,766
Restricted:					
Categorical programs	203,557	-	-	89,011	292,568
Capital projects	-	4,307,444	-	421,587	4,729,031
Debt service	-	-	3,580,870	-	3,580,870
Total Restricted	203,557	4,307,444	3,580,870	510,598	8,602,469
Assigned:					
Deferred maintenance program	80,466	-	-	-	80,466
Total Assigned	80,466	-	-	-	80,466
Unassigned:					
Remaining unassigned balances	1,266,555	-	-	-	1,266,555
Total Unassigned	1,266,555	-	-	-	1,266,555
Total	$ 1,588,344	$ 4,307,444	$ 3,580,870	$ 510,598	$ 9,987,256

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	$ 279,448	$ -	$ -	$ 279,448
Construction in progress	-	14,223	-	14,223
Total capital assets not being depreciated	279,448	14,223	-	293,671
Capital assets being depreciated:				
Building & improvements	70,487,510	175,398	-	70,662,908
Improvement of sites	3,208,691	259,003	-	3,467,694
Equipment & vehicles	330,970	-	-	330,970
Total capital assets being depreciated	74,027,171	434,401	-	74,461,572
Less accumulated depreciation:				
Buildings & improvements	(18,920,070)	(1,953,988)	-	(20,874,058)
Improvement of sites	(2,325,541)	(76,605)	-	(2,402,146)
Equipment & vehicles	(180,065)	(38,668)	-	(218,733)
Total accumulated depreciation	(21,425,676)	(2,069,261)	-	(23,494,937)
Total capital assets being depreciated, net	52,601,495	(1,634,860)	-	50,966,635
Governmental activities capital assets, net	$ 52,880,943	$ (1,620,637)	$ -	$ 51,260,306

NOTE 7 – TAX ANTICIPATION NOTES

On June 4, 2018, the Board of Trustees approved Tax Anticipation Notes not to exceed $7,666,833 from funds in custody of the Treasurer of the County of Marin for meeting obligations incurred for maintenance purposes for the 2018-19 fiscal year.

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	$ 55,011,669	$ -	$ 1,065,873	$ 53,945,796	$ 1,133,624
Accreted interest	7,161,271	685,975	669,128	7,178,118	669,128
Premiums	2,026,476	-	91,826	1,934,650	91,826
Total - Bonds	64,199,416	685,975	1,826,827	63,058,564	1,894,578
Compensated absences	64,789	-	14,398	50,391	-
Early Retirement Incentive	-	756,241	-	756,241	151,248
Other postemployment benefits	302,294	10,712	47,008	265,998	-
Total	$ 64,566,499	$ 1,452,928	$ 1,888,233	$ 64,131,194	$ 2,045,826

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Capital lease payments are made by the General Fund. Compensated absences and employment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Election of 2000
An election was held on June 6, 2000, at which more than two-thirds of the voters in the District authorized the issuance and sale of $21.7 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the construction and acquisition of certain real property and improvements for the District.

2011 General Obligation Refunding Bonds
On January 27, 2011, the District issued $8,135,000 of 2011 General Obligation Refunding Bonds. The bonds consist of $6,900,000 of serial bonds bearing fixed rates ranging from 0.50% to 4.10% with annual maturities from August 2011 through August 2023 and $1,235,000 of term bonds maturing August 2025 bearing fixed rates ranging from 2.0% to 4.25%. The net proceeds of $8,390,131 (after issuance costs of $172,178, plus premium of $218,178 and a $209,131 credit for funds already held by the trustee) were used to advance refund $8,100,000 of the District's outstanding Election of 2000, Series A General Obligation Bonds in addition to paying the costs of issuance associated with the bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

2011 General Obligation Refunding Bonds (continued)

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. At June 30, 2019, deferred charges on refunding of $90,803 remain to be amortized. The principal balance on the defeased debt was paid in full in February 2011.

Election of 2011

On November 8, 2011, an election was held at which registered voters in the District approved by more than 55% of the votes a measure (Measure A), which authorized the District to issue general obligation bonds in the maximum aggregate amount of $26,000,000.

Election of 2014

On June 3, 2014, an election was held at which registered voters in the District approved by more than 55% of the votes a measure (Measure D), which authorizes the District to issue general obligation bonds in the maximum aggregate amount of $19,000,000.

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
2000A	9/13/2000	8/1/2025	4.5%-5.8%	$ 18,000,000	$ 2,611,854	$ -	$ 365,873	$ 2,245,981
2000B	9/1/2005	8/1/2030	3.5%-4.8%	3,699,815	2,999,815	-	-	2,999,815
2011Ref	1/27/2011	8/1/2025	2.0%-4.25%	8,135,000	4,580,000	-	525,000	4,055,000
2012A	2/23/2012	8/1/2042	2.0%-4.25%	26,000,000	25,835,000	-	135,000	25,700,000
2014A	10/14/2014	8/1/2044	3.0%-8.0%	19,000,000	18,985,000	-	40,000	18,945,000
				$ 74,834,815	$ 55,011,669	$ -	$ 1,065,873	$ 53,945,796

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
Accreted Interest				
2000A	$ 4,661,719	$ 410,895	$ 669,128	$ 4,403,486
2000B	2,499,552	275,080	-	2,774,632
Total	$ 7,161,271	$ 685,975	$ 669,128	$ 7,178,118
Premiums				
2011R	$ 109,090	$ -	$ 14,545	$ 94,545
2012A	1,136,050	-	48,343	1,087,707
2014A	781,336	-	28,938	752,398
Total	$ 2,026,476	$ -	$ 91,826	$ 1,934,650

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2019, were as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Total Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019-20	$ 780,000	$ 1,896,956	$ 353,624	$ 716,376	$ 1,133,624	$ 2,613,332	$ 3,746,956
2020-21	870,000	1,861,656	341,080	763,920	1,211,080	2,625,576	3,836,656
2021-22	970,000	1,821,456	333,138	811,862	1,303,138	2,633,318	3,936,456
2022-23	1,080,000	1,775,656	324,986	860,014	1,404,986	2,635,670	4,040,656
2023-24	1,190,000	1,723,956	307,627	882,373	1,497,627	2,606,329	4,103,956
2024-29	5,905,000	7,815,491	2,481,864	5,488,136	8,386,864	13,303,627	21,690,491
2029-34	8,025,000	6,594,938	1,103,477	2,566,523	9,128,477	9,161,460	18,289,937
2034-39	12,465,000	4,735,650	-	-	12,465,000	4,735,650	17,200,650
2039-44	15,745,000	1,804,550	-	-	15,745,000	1,804,550	17,549,550
2044-45	1,670,000	85,838	-	-	1,670,000	85,838	1,755,838
Total	$ 48,700,000	$ 30,116,147	$ 5,245,796	$ 12,089,204	$ 53,945,796	$ 42,205,350	$ 96,151,146

B. Early Retirement Incentive

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2019, for these obligations are shown below.

Fiscal Year	Premium
2019-20	$ 151,248
2020-21	151,248
2021-22	151,248
2022-23	151,248
2023-24	151,249
Total	$ 756,241

C. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 161,478	$ 981	$ 2,838	$ 6,232
MPP Program	104,520	-	-	(9,832)
Total	$ 265,998	$ 981	$ 2,838	-$ 3,600

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

The details of each plan are as follows:

District Plan

Plan Description
The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

Certificated: Employees become eligible for a District contribution of $250/month towards retiree health based on the following eligibility conditions and benefit duration:

Date of Hire	Minimum Age/Service	Benefits Paid For
Before 11/1/1979	55/10	10 years
11/1/1979-10/31/1989	55/10	10 years but not beyond age 65
11/1/1989-10/31/1995	55/10	5 years but not beyond age 65
11/1/1995-6/30/2000	55/15	5 years but not beyond age 65
After 6/30/2000	Not eligible	Not applicable

Classified, Administrative and Confidential: Employees become eligible for a District contribution of $250/month towards retiree health based on the following eligibility conditions and benefits duration:

Date of Hire	Minimum Age/Service	Benefits Paid For
Before 6/30/2001	55/10	10 years but not beyond age 65
After 6/30/2001	Not eligible	Not applicable

Retirees may remain on the District's health plans or receive reimbursement for outside coverage upon providing satisfactory proof of eligible expenses. One retired Superintendent is receiving the active cap towards medical insurance until age 65, under an arrangement that is not expected to be repeated in the future.

Employees Covered by Benefit Terms
At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	13
Total	23

Total OPEB Liability
The District's total OPEB liability of $161,478 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Salary increases	3.00 percent
Inflation rate	2.25 percent
Healthcare cost trend rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after
Retirees' share of benefit-related costs	Retirees pay the balance of the premium after District contribution which is $250 per month for a term that varies depending on date of hire and job classification.

Discount Rate
The discount rate of 3.50% was based on Bond Buyer 20-Bond General Obligation Index.

Mortality Rates
Mortality rates were based on a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	$ 187,942
Changes for the year:	
Service cost	2,065
Interest	6,685
Expected/Actual experience	(5,676)
Changes of assumptions	1,962
Benefit payments	(31,500)
Net changes	(26,464)
Balance at June 30, 2019	$ 161,478

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:

Discount Rate	OPEB Liability
1% decrease (2.5%)	$ 164,426
Current discount rate (3.5%)	$ 161,478
1% increase (4.5%)	$ 157,299

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

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:

Healthcare Cost Trend Rate	OPEB Liability	
1% decrease (7.0% decreasing to 4.0%)	$	159,901
Current rate (8.0% decreasing to 5.0%)	$	161,478
1% increase (9.0% decreasing to 6.0%)	$	161,772

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the District recognized OPEB expense of $6,232. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	2,838
Changes of assumptions		981		-
Total	$	981	$	2,838

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 2.0625 years.

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources		Deferred Inflows of Resources	
2020	$	981	$	2,838

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2019, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability
At June 30, 2019, the District reported a liability of $104,520 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined.

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability (continued)
The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Change Increase/ (Decrease)
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net OPEB Liability	0.027306%	0.027181%	0.000125%

For the year ended June 30, 2019, the District reported OPEB expense of $(9,832).

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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.

NOTE 8 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)
The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate
The discount rate used to measure the total OPEB liability was 3.87%. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net 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:

Discount Rate	MPP OPEB Liability
1% decrease (2.87%)	$ 115,604
Current discount rate (3.87%)	$ 104,520
1% increase (4.87%)	$ 94,512

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 95,312
Current rate (3.7% Part A and 4.1% Part B)	$ 104,520
1% increase (4.7% Part A and 5.1% Part B)	$ 114,423

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 15,959,094	$ 4,088,006	$ 1,624,973	$ 1,993,398
CalPERS	5,476,411	1,690,329	-	970,532
Total	$ 21,435,505	$ 5,778,335	$ 1,624,973	$ 2,963,930

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Benefits Provided (continued)
The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were $1,559,229.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, 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 net pension liability	$	15,959,094
State's proportionate share of the net pension liability associated with the District		9,137,328
Total	$	25,096,422

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.017364%	0.017078%	0.000287%

For the year ended June 30, 2019, the District recognized pension expense of $1,993,398. In addition, the District recognized pension expense and revenue of $311,581 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,559,229	$ -
Net change in proportionate share of net pension liability	-	778,632
Difference between projected and actual earnings on pension plan investments	-	614,526
Changes of assumptions	2,479,288	-
Differences between expected and actual experience	49,489	231,815
Total	$ 4,088,006	$ 1,624,973

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 404,037
2021	173,612
2022	(245,739)
2023	167,881
2024	333,017
Thereafter	70,996
Total	$ 903,804

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 23,378,206
Current discount rate (7.10%)	15,959,094
1% increase (8.10%)	9,807,931

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

On-Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of $2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $1,456,754.

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Benefits Provided (continued)
The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $515,998.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $5,476,411. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Change Increase/ (Decrease)
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.020539%	0.018913%	0.001627%

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2019, the District recognized pension expense of $970,532. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 515,998	$ -
Net change in proportionate share of net pension liability	223,603	-
Difference between projected and actual earnings on pension plan investments	44,919	-
Changes of assumptions	546,796	-
Differences between expected and actual experience	359,013	-
Total	$ 1,690,329	$ -

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 601,068
2021	461,714
2022	66,664
2023	44,885
2024	-
Thereafter	-
Total	$ 1,174,331

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 administration expenses.

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Discount Rate (continued)
The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 7,973,393
Current discount rate (7.15%)	5,476,411
1% increase (8.15%)	3,404,808

On-Behalf Payments
The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of $904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $185,675.

C. Social Security
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2019, the District reported payables of $4,370 and $11,959 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 10 – JOINT VENTURES

The Larkspur-Corte Madera School District participates in two joint ventures under separate joint powers agreements (JPA), with the Marin Schools Insurance Authority (MSIA) and the Marin Pupil Transportation Agency (MPTA). The relationship between the Larkspur-Corte Madera School District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

The Marin Schools Insurance Authority arranges for and provides workers' compensation, property and liability and health insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

NOTE 10 – JOINT VENTURES (continued)

The Marin Pupil Transportation Agency provides transportation services for students within member district borders through state entitlements and fees paid by member districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board.

Condensed audited financial information is as follows:

	MSIA June 30, 2018	MPTA June 30, 2018
Assets	$ 32,041,296	$ 619,958
Deferred outflows related to pensions	-	35,418
Liabilities	12,761,882	285,228
Deferred inflows related to pensions	-	58,596
Net Position	$ 19,279,414	$ 311,552
Revenues	$ 12,292,560	$ 3,390,052
Expenses	9,596,373	3,183,819
Operating Income	2,696,187	206,233
Non-Operating Revenues (Expenses)	171,733	10,824
Change in Net Postion	$ 2,867,920	$ 217,057

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

B. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

C. Long-Term Utility Commitment
On June 17, 2015, the District's board of trustees approved entering into a 20-year power purchase agreement with SH3 Solar, LLC for the delivery of electric power at a set rate. The cost of the power purchase agreement was $350,000. As of June 30, 2019, the unamortized cost of the agreement of $282,625 is shown a deferred outflow on the statement of net position.

D. Construction Commitments
As of June 30, 2019, the District had no commitments with respect to unfinished capital projects.

NOTE 12 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District participated in the MSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019, the District participated in the MSIA JPA for workers' compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District provides employee medical, dental and basic life insurance benefits through the MSIA public entity risk pool.

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	$ 12,174,801	$ 12,247,512	$ 12,132,982	$ (114,530)
Federal sources	341,390	323,123	317,180	(5,943)
Other State sources	1,717,362	2,412,796	2,412,796	-
Other local sources	6,056,419	6,440,901	6,304,287	(136,614)
Total Revenues	20,289,972	21,424,332	21,167,245	(257,087)
Expenditures				
Current:				
Certificated Salaries	9,736,264	9,906,881	9,966,151	(59,270)
Classified Salaries	2,924,916	2,940,136	2,905,226	34,910
Employee Benefits	4,892,647	5,717,729	5,584,330	133,399
Books and Supplies	602,877	669,212	500,243	168,969
Services and Other Operating Expenditures	2,035,509	2,315,780	2,102,113	213,667
Other outgo	320,734	195,995	184,991	11,004
Total Expenditures	20,512,947	21,745,733	21,243,054	502,679
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,975)	(321,401)	(75,809)	245,592
Other Financing Sources and Uses				
Interfund Transfers Out	(23,345)	(77,000)	(77,000)	-
Total Other Financing Sources and Uses	(23,345)	(77,000)	(77,000)	-
Net change in Fund Balance	(246,320)	(398,401)	(152,809)	245,592
Fund Balances, July 1, 2018	1,660,687	1,660,687	1,660,687	-
Fund Balances, June 30, 2019	$ 1,414,367	$ 1,262,286	1,507,878	$ 245,592
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Deferred Maintenance Fund			80,466	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 1,588,344	

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years*

	2018	2017	2016	2015	2014
CalSTRS					
District's proportion of the net pension liability	0.0174%	0.0171%	0.0170%	0.0190%	0.0190%
District's proportionate share of the net pension liability	$ 15,959,094	$ 15,793,517	$ 13,749,770	$ 12,791,560	$ 11,103,030
State's proportionate share of the net pension liability associated with the District	9,137,328	9,343,311	7,828,651	6,765,307	6,704,556
Totals	$ 25,096,422	$ 25,136,828	$ 21,578,421	$ 19,556,867	$ 17,807,586
District's covered-employee payroll	$ 9,285,198	$ 9,079,801	$ 8,798,593	$ 8,514,022	$ 8,276,594
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.88%	173.94%	156.27%	150.24%	134.15%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.0205%	0.0189%	0.0190%	0.0197%	0.0197%
District's proportionate share of the net pension liability	$ 5,476,411	$ 4,514,923	$ 3,752,512	$ 2,903,800	$ 2,236,430
District's covered-employee payroll	$ 2,726,116	$ 2,417,720	$ 2,283,430	$ 2,190,298	$ 2,064,796
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200.89%	186.74%	164.34%	132.58%	108.31%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

Notes to Schedule:

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
CalSTRS					
Contractually required contribution	$ 1,559,229	$ 1,339,854	$ 1,142,239	$ 944,089	$ 756,045
Contributions in relation to the contractually required contribution	1,559,229	1,339,854	1,142,239	944,089	756,045
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 9,577,572	$ 9,285,198	$ 9,079,801	$ 8,798,593	$ 8,514,022
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS					
Contractually required contribution	$ 515,998	$ 423,393	$ 335,773	$ 270,518	$ 257,820
Contributions in relation to the contractually required contribution	515,998	423,393	335,773	270,518	257,820
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,856,816	$ 2,726,116	$ 2,417,720	$ 2,283,430	$ 2,190,298
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

	2018	2017
Total OPEB liability		
Service cost	$ 2,065	$ 2,099
Interest	6,685	7,204
Changes of benefit terms	-	104
Differences between expected and actual experience	(5,676)	-
Changes of assumptions or other inputs	1,962	(1,426)
Benefit payments	(31,500)	(36,000)
Net change in total OPEB liability	(26,464)	(28,019)
Total OPEB liability - beginning	187,942	215,961
Total OPEB liability - ending	$ 161,478	$ 187,942
Covered-employee payroll	$ 16,656,542	$ 16,171,400
Total OPEB liability as a percentage of covered-employee payroll	0.97%	1.16%

Notes to Schedule:

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

For the Fiscal Year Ended June 30, 2019

	2018	2017
District's proportion of net OPEB liability	0.0273%	0.0272%
District's proportionate share of net OPEB liability	$ 104,520	$ 114,352
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

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

Change of assumptions **-** In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate was adjusted to 3.5%.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

The Larkspur-Corte Madera School District was established in 1895. The District operates two elementary and one middle school, and serves the Corte Madera and Larkspur communities in Marin County, California. There were no changes to the District's boundaries during the year.

DISTRICT ADMINISTRATORS

Dr. Brett Geithman,
Superintendent

Paula Rigney,
Chief Business Official

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report Certificate No. (60277F8D)	**Annual Report** Certificate No. (05C75E7A)
Regular & Extended Year ADA:		
Grades TK-3	649.52	648.06
Grades 4-6	513.93	514.64
Grades 7-8	322.27	321.33
Total Regular & Extended Year ADA	1,485.72	1,484.03
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK-3	1.27	1.26
Grades 4-6	2.21	2.21
Total Special Education, Nonpublic, Nonsectarian Schools	3.48	3.47
Total ADA	1,489.20	1,487.50

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

Grade Level	Required	2018-19 Actual Minutes	Number of Days Traditional Calendar*	Status**
Kindergarten	36,000	52,485	179	Complied
Grade 1	50,400	57,340	179	Complied
Grade 2	50,400	57,340	179	Complied
Grade 3	50,400	57,340	179	Complied
Grade 4	54,000	57,340	179	Complied
Grade 5	54,000	57,340	179	Complied
Grade 6	54,000	61,916	179	Complied
Grade 7	54,000	61,916	179	Complied
Grade 8	54,000	61,764	177	Not Complied

*District was granted a one-day instructional day waiver for November 16, 2018, due to emergency condition school closures, which can be used to meet instructional time requirements pursuant to California Education Code sections 46200, 46201, 46207, and/or 46208.
**Grade 8 had two additional days that did not meet the minimum minute requirements to be counted as an instructional day. These two days are reported in Finding 2019-001.

LARKSPUR-CORTE MADERA SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund	(Budget) 2020 [2]	2019	2018	2017
Revenues and other financing sources	$ 20,740,354	$ 21,167,245	$ 19,463,022	$ 18,523,256
Expenditures	20,447,822	21,243,054	19,967,532	18,550,419
Other uses and transfers out	-	77,000	171,513	28,270
Total outgo	20,447,822	21,320,054	20,139,045	18,578,689
Change in fund balance (deficit)	292,532	(152,809)	(676,023)	(55,433)
Ending fund balance	$ 1,800,410	$ 1,507,878	$ 1,660,687	$ 2,336,710
Available reserves [1]	$ 1,596,853	$ 1,266,555	$ 1,520,888	$ 2,214,984
Available reserves as a percentage of total outgo	7.8%	5.9%	7.6%	11.9%
Total long-term debt	$ 83,520,873	$ 85,566,699	$ 84,874,940	$ 83,116,953
Average daily attendance at P-2	1,468	1,489	1,491	1,493

The General Fund balance has decreased by $828,832 over the past two years. The fiscal year 2019-20 adopted budget projects an increase of $292,532. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in each of the past three years, but anticipates incurring an operating surplus during the 2019-20 fiscal year. Long-term debt has increased by $2,449,746 over the past two years.

Average daily attendance has decreased by 4 over the past two years. A decrease of 21 ADA is anticipated during fiscal year 2019-20.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2019.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Other Independent Auditors' Reports

(This page intentionally left blank)

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

Board of Trustees
Larkspur-Corte Madera School District
Larkspur, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Larkspur-Corte Madera School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Larkspur-Corte Madera School District's basic financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Larkspur-Corte Madera School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Larkspur-Corte Madera School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Larkspur-Corte Madera 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

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

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

Nigro + Nigro, PC.

Murrieta, California
December 15, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Larkspur-Corte Madera School District
Larkspur, California

Report on State Compliance
We have audited Larkspur-Corte Madera School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Larkspur-Corte Madera School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Larkspur-Corte Madera School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Larkspur-Corte Madera 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 state program. However, our audit does not provide a legal determination of Larkspur-Corte Madera School District's compliance.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
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	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Larkspur-Corte Madera School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter(s)

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and recommendations as Findings 2019-001 and 2019-002. Our opinion on each state program is not modified with respect to these matters.

District's Responses to Findings

Larkspur-Corte Madera School District's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and recommendations. Larkspur-Corte Madera School District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.

Nigro + Nigro, PC.

Murrieta, California
December 15, 2019

Findings and Recommendations

(This page intentionally left blank)

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

The District expended less than $750,000 in federal awards during the year; therefore, a Single Audit pursuant to Uniform Guidance was not performed.

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

SECTION III - FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

The District expended less than $750,000 in Federal awards in 2018-19, therefore, a Single Audit pursuant to Uniform Guidance was not performed.

SECTION IV - STATE AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2019-001: Instructional Time, Instructional Day (40000)

Criteria: Pursuant to Education Code Section 46114(b), the minimum school day in grades 4, 5, 6, 7, and 8 in elementary schools may be computed by determining the number of minutes of attendance in any 10 consecutive schooldays and dividing that number by 10. If the resulting quotient is 240 or more, the pupils shall be deemed to have complied with Section 46113, even if the number of minutes attended in any one school day is less than 240, but not less than 180 minutes. Education Code Section 46200 stipulates a penalty for fewer than 180 days of instruction.

Condition: The District did not meet the instructional minute requirements at one site for two days, which reduced the number of instructional days to 177 for eighth grade (two days were as a result of this finding, one day was due to an emergency closure for which the district received an approved waiver). The District did comply with the minimum number of instructional minutes for the entire year in that grade.

Context: We noted one site with an exception, in eighth grade only, out of the three sites tested.

Cause: The District scheduled a short graduation schedule for the last two days of school, during which the instructional time was 105 minutes per day, below the absolute minimum.

Effect: The District did not meet the minimum number of instructional days as required by Education Code 46200. The questioned cost of these days is $15,530. The cost was calculated using the California Department of Education tool for Instructional Time Penalties.

Recommendation: We recommend that the District review the annual school calendar and daily instructional minutes to ensure it meets the requirements of Education Code 46200 within the instructional day requirements of 46114.

Views of Responsible Officials: The District has revised the annual calendar and first day of school to meet the minimum required instructional days for the upcoming school year. The District will ensure that the daily instructional minutes and the minimum number of instructional days are met.

SECTION IV - STATE AWARD FINDINGS AND RECOMMENDATIONS (continued)

Finding 2019-002: CALPADS Unduplicated Pupil Count (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the students who were reported as English learners on the CALPADS 1.17 and 1.18 reports, we noted one student who was classified as an English learner on these reports but had been reclassified as English proficient prior to the census date but was not reclassified in CALPADS.

Context: We noted one exception at one of the two sites tested. We increased our sample to include 100% of students classified as English learner only at that site and found no additional exceptions.

Cause: The student's status was changed at a previous district and was not corrected by the District in their CALPADS report.

Effect: There is a questioned cost of $473, calculated using the CDE audit penalty calculator. The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

	CALPADS	Adjusted based on eligibility for: EL	Adjusted Total
Program/Site:			
Cove Elementary	59	-	59
Hall Middle	67	(1)	66
Neil Cummins Elementary	60	-	60
District-wide	186	(1)	185

Total enrollment of 1546 was not adjusted based on the results of our procedures.

Recommendation: We recommend that the District implement a procedure to review the CALPADS information prior to the report's submission to the California Department of Education.

Views of Responsible Officials: The District has revised its procedures when enrolling new students and will check EL status in CALPADS for all new enrollees, regardless of the state in which they were most recently enrolled.

There were no findings or recommendations in 2017-18.

To the Board of Trustees
Larkspur-Corte Madera School District
Larkspur, California

In planning and performing our audit of the basic financial statements of Larkspur-Corte Madera School District for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2019, on the financial statements of Larkspur-Corte Madera School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: We noted that the ASB bookkeeper is not submitting financial statements to the District Office on a periodic basis. Financial statement review by the District office is an important oversight activity.

> ***Recommendation:*** We recommend that periodic financial statements be prepared and submitted to the District office on a monthly basis for review and to ensure proper oversight.

Observation*:* During our cash disbursements testing, we noted one of the three disbursements selected in our sample was not approved by the District representative, the ASB advisor, and/or the student representative. Additionally, we noted that two of the three disbursements in our sample were not approved until after the expenditure had already been incurred. Furthermore, all three disbursements lacked evidence of receipt of goods and two of the three were missing supporting documentation such as an invoice. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

> ***Recommendation:*** We recommend that the site be re-trained on appropriate procedures for disbursements and adopt a procedure for compliance with Education Code in obtaining the required approvals. Additionally, we recommend that the site document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.

Observation*:* During our test of expenditures, we noted that a second authorized signature on the check is not required. Requiring two signatures is an important internal control due to the inherent lack of segregation of duties within the ASB operations.

> ***Recommendation:*** We recommend that all expenditures be required to have two signatures on each check or implement another compensating control in order to prevent the misuse of ASB funds.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

www.nncpas.com • Licensed by the California Board of Accountancy

We will review the status of the current year comments during our next audit engagement.

Nigro + Nigro, PC.

Murrieta, California
December 15, 2019