

**GRAVENSTEIN UNION SCHOOL DISTRICT
COUNTY OF SONOMA
SEBASTOPOL, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2020

GRAVENSTEIN UNION SCHOOL DISTRICT

JUNE 30, 2020

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GRAVENSTEIN UNION SCHOOL DISTRICT

JUNE 30, 2020

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gravenstein Union School District
Sebastopol, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of the proportionate share of the net pension liabilities, and schedules of contributions 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 Gravenstein Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of the Gravenstein Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gravenstein Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gravenstein Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 14, 2020

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Gravenstein Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- During March 2020, District schools were closed for the remainder of the 2019-20 school year to address health concerns related to the Covid-19 outbreak.
- The District's overall financial status improved slightly during the course of the year, as total net position increased by less than 1%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$6,873.
- Net capital assets increased \$122,515 due to the current year acquisition and construction of \$542,736 of new capital assets and improvements, and the current year recognition of \$420,221 of depreciation expense.
- Total long-term liabilities decreased \$1,454,106, due primarily to the change in actuarial assumptions associated with the District's other post employment benefits liability.
- The District's P-2 average daily attendance (ADA) increased from 719 ADA in fiscal year 2018-19, up to 736 ADA in fiscal year 2019-20, an increase of 17 ADA or 2.4%.
- During fiscal year 2019-20, the District's General Fund produced an operating surplus of \$607,158.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2019-20, General Fund total outgo was \$9,600,806. At June 30, 2020, the District had available reserves of \$5,125,129 which represents a reserve of 53.4%.

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

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

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

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities all amounts presented represent governmental activities, since the District does not provide any service that should be categorized as business-type activities.

The basic services provided by the District, such as regular and special education, administration, and transportation are included here and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state and federal programs.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental fund of Gravenstein Union School District is the General Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Fiduciary Funds:

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

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position increased from \$13,419,545 at June 30, 2019 up to \$13,426,418 at June 30, 2020, an increase of less than 1%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2019	2020
<u>Assets</u>		
Deposits and Investments	\$ 11,901,189	\$ 11,127,933
Receivables	481,533	1,300,587
Prepaid Expenses	13,913	2,510
Capital Assets, net	16,332,864	16,455,379
Total Assets	28,729,499	28,886,409
<u>Deferred Outflows of Resources</u>		
OPEB Deferrals	5,000	5,000
Pension Deferrals	3,167,816	3,015,389
Total Deferred Outflows of Resources	3,172,816	3,020,389
<u>Liabilities</u>		
Current	1,178,541	960,361
Long-term	16,328,981	14,865,281
Total Liabilities	17,507,522	15,825,642
<u>Deferred Inflows of Resources</u>		
OPEB Deferrals	100,000	1,862,766
Pension Deferrals	875,248	791,972
Total Deferred Inflows of Resources	975,248	2,654,738
<u>Net Position</u>		
Net Investment in Capital Assets	9,956,883	10,206,448
Restricted	1,074,088	914,206
Unrestricted	2,388,574	2,305,764
Total Net Position	\$ 13,419,545	\$ 13,426,418

Table includes financial data of the combined governmental funds

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$6,873.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2020</u>
<u>Program Revenues</u>		
Charges for Services	\$ 42,361	\$ 48,653
Operating Grants & Contributions	1,404,944	1,018,412
<u>General Revenues</u>		
Taxes Levied	3,442,793	3,568,868
Federal & State Aid	5,721,894	5,794,816
Interest & Investment Earnings	234,876	226,134
Other Revenues	290,161	179,399
Total Revenues	11,137,029	10,836,282
<u>Expenses</u>		
Instruction	6,890,830	7,527,853
Instruction-Related Services	640,728	730,232
Pupil Services	479,838	531,530
General Administration	1,012,744	834,962
Plant Services	490,590	657,206
Other Expenses	499,828	547,626
Total Expenses	10,014,558	10,829,409
Changes in Net Position	\$ 1,122,471	\$ 6,873

Table includes financial data of the combined governmental funds

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

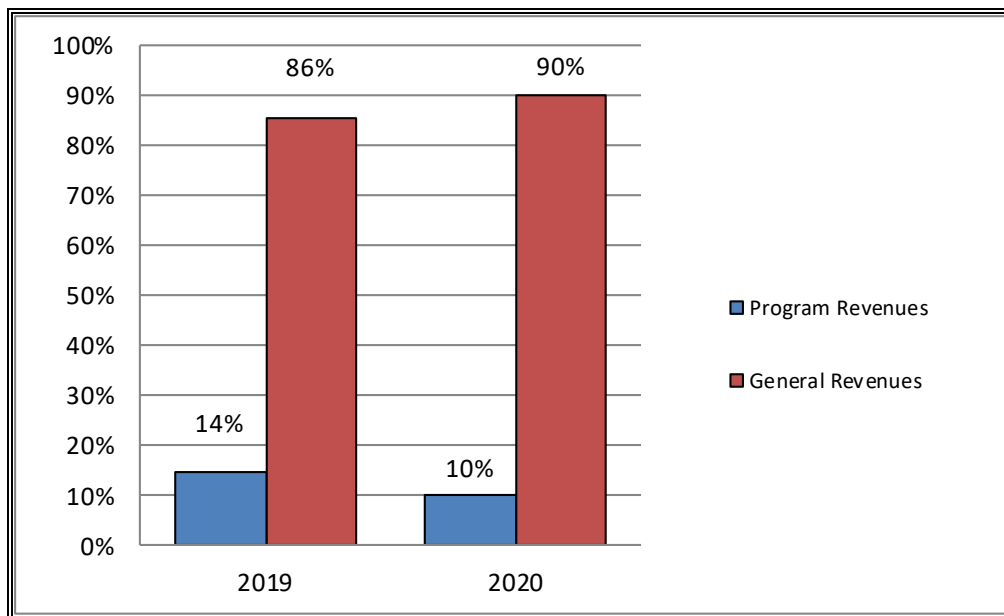
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
	Instruction	\$ 6,890,830	\$ 7,527,853	\$ 5,718,490
Instruction-Related Services	640,728	730,232	601,150	697,511
Pupil Services	479,838	531,530	298,754	344,586
General Administration	1,012,744	834,962	981,906	817,899
Plant Services	490,590	657,206	481,124	647,362
Other Expenses	499,828	547,626	485,829	538,149
Totals	\$ 10,014,558	\$ 10,829,409	\$ 8,567,253	\$ 9,762,344

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$9,762,344 net cost represents the share of total cost that the District's general revenues provide for the services listed.



For fiscal year 2019-20, program revenues financed 10% of the total cost of providing the services listed above, while the remaining 90% was financed by the general revenues of the District.

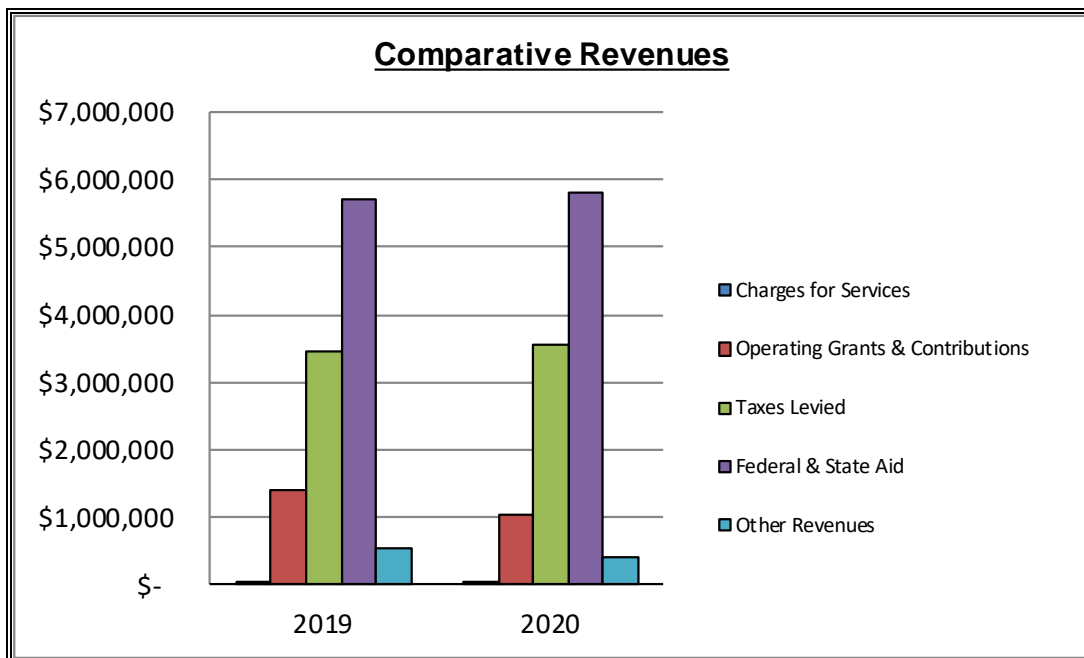
**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Revenues For Governmental Functions				
	FYE 2019 Amount	Percent of Total	FYE 2020 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 42,361	0.38%	\$ 48,653	0.45%
Operating Grants & Contributions	1,404,944	12.62%	1,018,412	9.40%
<u>General Revenues</u>				
Taxes Levied	3,442,793	30.91%	3,568,868	32.93%
Federal & State Aid	5,721,894	51.38%	5,794,816	53.48%
Other Revenues	525,037	4.71%	405,533	3.74%
Total Revenues	\$ 11,137,029	100.00%	\$ 10,836,282	100.00%

Table includes financial data of the combined governmental funds



**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

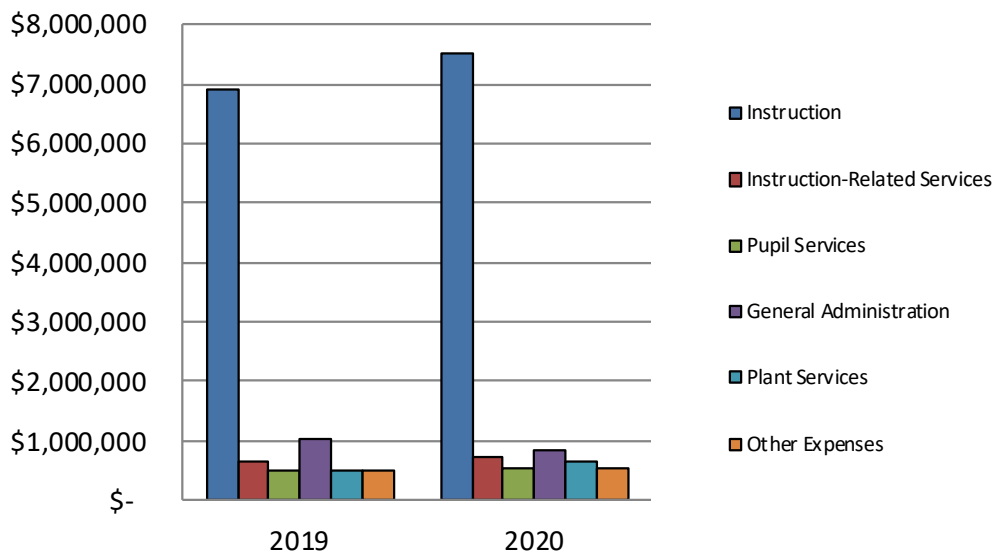
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2019 Amount</u>	<u>Percent of Total</u>	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 6,890,830	68.81%	\$ 7,527,853	69.51%
Instruction-Related Services	640,728	6.40%	730,232	6.74%
Pupil Services	479,838	4.79%	531,530	4.91%
General Administration	1,012,744	10.11%	834,962	7.71%
Plant Services	490,590	4.90%	657,206	6.07%
Other Expenses	499,828	4.99%	547,626	5.06%
Total Expenses	\$ 10,014,558	100.00%	\$ 10,829,409	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

	<u>Comparative Schedule of Capital Assets</u>	
	Governmental Activities	
	2019	2020
Land	\$ 149,717	\$ 149,717
Sites and Improvements	1,334,061	1,365,065
Buildings and Improvements	16,193,776	21,281,156
Furniture and Equipment	127,126	219,951
Construction-in-Progress	4,678,995	10,522
Subtotals	<u>22,483,675</u>	<u>23,026,411</u>
Less: Accumulated Depreciation	<u>(6,150,811)</u>	<u>(6,571,032)</u>
Capital Assets, net	<u><u>\$ 16,332,864</u></u>	<u><u>\$ 16,455,379</u></u>

Net capital assets increased \$122,515 due to the current year acquisition and construction of \$542,736 of new capital assets and improvements, and the current year recognition of \$420,221 of depreciation expense.

	<u>Comparative Schedule of Long-Term Liabilities</u>	
	Governmental Activities	
	2019	2020
Compensated Absences	\$ 27,432	\$ 29,026
General Obligation Bonds	6,375,981	6,248,931
Total OPEB Liability	2,253,126	690,439
Net Pension Liability	7,826,924	8,060,961
Totals	<u><u>\$ 16,483,463</u></u>	<u><u>\$ 15,029,357</u></u>

Total long-term liabilities decreased \$1,454,106, due primarily to the change in actuarial assumptions associated with the District's other post employment benefits liability.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased \$607,158, and the combined fund balances of all other District governmental funds decreased \$347,147.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District will continue to be impacted by the on-going health concerns associated with Covid-19. Since the virus is still very contagious, the District has already modified most of its operational procedures as most aspects of its operations were directly affected by Covid-19. However, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, further procedural modifications will likely be necessary. In addition, State and Local economies have also been severely impacted by Covid-19, which may adversely affect future school funding and student enrollment.

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the near future.

Accordingly, based on the above factors, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Chief Business Officer, Gravenstein Union School District, 3840 Twig Avenue, Sebastopol, CA 95472.

GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 11,127,933
Receivables (Note 3)	1,300,587
Prepaid Expenses (Note 1H)	2,510
Capital Assets, Not Depreciated (Note 5)	160,239
Capital Assets, Net of Accumulated Depreciation	16,295,140
Total Assets	28,886,409
<u>Deferred Outflows of Resources</u>	
OPEB Deferrals (Note 7)	5,000
Pension Deferrals (Note 9)	3,015,389
Total Deferred Outflows of Resources	3,020,389
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	689,008
Accrued Interest Payable	107,277
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	29,026
General Obligation Bonds (Note 6)	135,050
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	6,113,881
Total OPEB Liability (Note 7)	690,439
Net Pension Liabilities (Note 9)	8,060,961
Total Liabilities	15,825,642
<u>Deferred Inflows of Resources</u>	
OPEB Deferrals (Note 7)	1,862,766
Pension Deferrals (Note 9)	791,972
Total Deferred Inflows of Resources	2,654,738
<u>Net Position</u>	
Net Investment in Capital Assets	10,206,448
Restricted:	
For Capital Projects	142,993
For Debt Service	296,431
For Educational Programs	466,857
For Other Purposes	7,925
Unrestricted	2,305,764
Total Net Position	\$ 13,426,418

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 7,527,853	\$ 12,500	\$ 798,516		\$ (6,716,837)
Instruction-Related Services:					
Supervision of Instruction	19,689	173	4,588		(14,928)
Instructional Library and Technology	68,561				(68,561)
School Site Administration	641,982	5	27,955		(614,022)
Pupil Services:					
Home-to-School Transportation	83,711	488	10,575		(72,648)
Food Services	114,546	33,444	41,815		(39,287)
Other Pupil Services	333,273	1,555	99,067		(232,651)
General Administration:					
Data Processing Services	1,464				(1,464)
Other General Administration	833,498	16	17,047		(816,435)
Plant Services	657,206		9,844		(647,362)
Ancillary Services	43,957	228	4,430		(39,299)
Community Services	257,833		1,572		(256,261)
Interest on Long-Term Debt	243,358				(243,358)
Other Outgo	2,478	244	3,003		769
Total Governmental Activities	<u>\$ 10,829,409</u>	<u>\$ 48,653</u>	<u>\$ 1,018,412</u>	<u>\$ 0</u>	<u>(9,762,344)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,202,634
Taxes Levied for Debt Service					366,234
Federal and State Aid - Unrestricted					5,794,816
Interest and Investment Earnings					226,134
Miscellaneous					179,399
Total General Revenues					<u>9,769,217</u>
Change in Net Position					6,873
Net Position - July 1, 2019					<u>13,419,545</u>
Net Position - June 30, 2020					<u>\$ 13,426,418</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**GRAVENSTEIN UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 10,029,614	\$ 1,098,319	\$ 11,127,933
Receivables (Note 3)	1,300,575	12	1,300,587
Prepaid Expenditures (Note 1H)	2,510		2,510
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,332,699</u>	<u>\$ 1,098,331</u>	<u>\$ 12,431,030</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	<u>\$ 683,021</u>	<u>\$ 5,987</u>	<u>\$ 689,008</u>
Fund Balances: (Note 11)			
Nonspendable	3,510		3,510
Restricted	466,857	551,116	1,017,973
Assigned	5,054,182	541,228	5,595,410
Unassigned	5,125,129		5,125,129
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>10,649,678</u>	<u>1,092,344</u>	<u>11,742,022</u>
Total Liabilities and Fund Balances	<u>\$ 11,332,699</u>	<u>\$ 1,098,331</u>	<u>\$ 12,431,030</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**GRAVENSTEIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Total Fund Balances - Governmental Funds \$ 11,742,022

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 23,026,411	
Accumulated Depreciation	<u>(6,571,032)</u>	
Net		16,455,379

Deferred outflows and inflows of resources relating to OPEB and pensions: In governmental funds, deferred outflows and inflows of resources relating to OPEB and 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 OPEB and pensions are reported. The net of deferred outflows and inflows was:

365,651

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	29,026	
General Obligation Bonds:	6,248,931	
Total OPEB Liability	690,439	
Net Pension Liabilities	<u>8,060,961</u>	
Total		(15,029,357)

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

(107,277)

Total Net Position - Governmental Activities \$ 13,426,418

**GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 5,625,247	\$ 19,507	\$ 5,644,754
Local Taxes	3,202,633		3,202,633
Total LCFF Sources	8,827,880	19,507	8,847,387
Federal Revenue	148,904	39,537	188,441
State Revenue	709,968	6,598	716,566
Local Revenue	521,212	562,676	1,083,888
Total Revenues	<u>10,207,964</u>	<u>628,318</u>	<u>10,836,282</u>
<u>Expenditures</u>			
Current:			
Instruction	6,813,587		6,813,587
Supervision of Instruction	18,569		18,569
Instructional Library and Technology	64,359		64,359
School Site Administration	589,971		589,971
Home-To-School Transportation	80,290		80,290
Food Services		108,188	108,188
Other Pupil Services	312,792		312,792
Data Processing Services	1,404		1,404
Other General Administration	773,852		773,852
Plant Services	540,802	69,182	609,984
Facilities Acquisition and Construction	316,890	225,846	542,736
Ancillary Services	43,353		43,353
Community Services		242,142	242,142
Other Outgo		2,478	2,478
Debt Service: Principal Retirement		117,000	117,000
Debt Service: Interest and Issuance Costs		255,566	255,566
Total Expenditures	<u>9,555,869</u>	<u>1,020,402</u>	<u>10,576,271</u>
Excess of Revenues Over (Under) Expenditures	<u>652,095</u>	<u>(392,084)</u>	<u>260,011</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In		44,937	44,937
Operating Transfers Out	(44,937)		(44,937)
Total Other Financing Sources (Uses)	<u>(44,937)</u>	<u>44,937</u>	<u>0</u>
Net Change in Fund Balances	607,158	(347,147)	260,011
Fund Balances - July 1, 2019	<u>10,042,520</u>	<u>1,439,491</u>	<u>11,482,011</u>
Fund Balances - June 30, 2020	<u>\$ 10,649,678</u>	<u>\$ 1,092,344</u>	<u>\$ 11,742,022</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRAVENSTEIN UNION 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, 2020

Net Change in Fund Balances - Governmental Funds \$ 260,011

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

Capital Outlays	\$	542,736	
Depreciation Expense		(420,221)	
Net			122,515

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (1,594)

Other post employment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and actual employer contributions was: (200,079)

Pension liabilities: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual-basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (303,188)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt, including bond premium, were: 127,050

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The amount that accrued interest on outstanding long-term liabilities increased during the year was: 2,158

Change in Net Position of Governmental Activities \$ 6,873

GRAVENSTEIN UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2020

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 8,929	\$ 8,929
<u>Liabilities</u>		
Due to Student Groups	8,929	8,929
<u>Net Position</u>		
Total Net Position	\$ 0	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Gravenstein Union School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees elected by registered voters of the District, which comprises an area in Sonoma County. The District was established in 1956 and serves students in kindergarten through eighth grade.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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, boards, and agencies that are not legally separate from the District. For Gravenstein Union 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. The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions (Concluded):

“Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. 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 apportionments, the California Department of Education has defined available as collectible within one year.

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

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District.

Non-major Governmental Funds:

The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

The *Child Development Fund* is used to account for revenues received and expenditures made to operate the child development programs maintained by the District.

The *Bond Interest and Redemption Fund* is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

The *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

The *Capital Projects - Special Reserve Fund* is used to account for the financial resources used for the acquisition or construction of major capital projects.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund on page 55.

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

F. Use of Estimates

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

G. Encumbrances

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed. Prepaid expenses/expenditures are equally offset by a reserve, which indicates that this amount is not available for appropriation.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	7-50
Furniture and Equipment	8-15

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the District 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 District 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 so will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. There was no balance as of June 30, 2020.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires

7. Other Post Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the year of issuance. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g., pre-paid items, permanent scholarships).

Restricted Fund Balance includes funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation (e.g., debt service, capital projects, state and federal grant funds).

Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board delegated authority to the Superintendent to identify intended uses of assigned funds.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District established fund balance policy requires an economic uncertainty reserve of at least 10% of total General Fund operating expenditures (including other financing).

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Fund Balances (Concluded)

The District considers restricted fund balances to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

11. Local Control Funding Formula (LCFF)/Property Tax

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Sonoma is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 1,000	\$ 8,929
Cash in Revolving Fund	1,000	
County Pool Investments	<u>11,125,933</u>	<u> </u>
Totals	<u>\$ 11,127,933</u>	<u>\$ 8,929</u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consist of District cash held by the Sonoma County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization Concluded

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds / Money Market Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Sonoma County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 11,125,933	\$ 11,191,576	787

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

This 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. However, the 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, 2020, the District's bank balance was not exposed to custodial credit risk.

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 specific 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 data if reasonable 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 Sonoma County 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Uncategorized
County Pool Investments	\$ 11,191,576	\$ 11,191,576

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2020, consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	\$ 113,835		\$ 113,835
State Government	1,140,225		1,140,225
Local Governments	28,653		28,653
Miscellaneous	17,862	\$ 12	17,874
Totals	\$ 1,300,575	\$ 12	\$ 1,300,587

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Due To/Due From Other Funds

There were no interfund receivables and payables balances as of June 30, 2020.

B. Interfund Transfers

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

Interfund transfers for fiscal year 2019-20 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 44,937
Deferred Maintenance	\$ 25,171	
Cafeteria	<u>19,766</u>	
Totals	<u>\$ 44,937</u>	<u>\$ 44,937</u>

Transfer of \$25,171 from the General Fund to the Deferred Maintenance Fund to provide funding for deferred maintenance projects.

Transfer of \$19,766 from the General Fund to the Cafeteria Fund to supplement the child nutrition program.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2020, is shown below:

	<u>Balances</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2020</u>
Capital Assets Not Being Depreciated:				
Land	\$ 149,717			\$ 149,717
Construction-in-Progress	4,678,995	\$ 413,147	\$ 5,081,620	<u>10,522</u>
Total Capital Assets Not Being Depreciated	<u>4,828,712</u>	<u>413,147</u>	<u>5,081,620</u>	<u>160,239</u>
Capital Assets Being Depreciated:				
Sites and Improvements	1,334,061	31,004		1,365,065
Buildings and Improvements	16,193,776	5,087,380		21,281,156
Furniture and Equipment	<u>127,126</u>	<u>92,825</u>		<u>219,951</u>
Total Capital Assets Being Depreciated	<u>17,654,963</u>	<u>5,211,209</u>	<u>0</u>	<u>22,866,172</u>
Less Accumulated Depreciation:				
Sites and Improvements	1,181,929	12,997		1,194,926
Buildings and Improvements	4,879,782	394,136		5,273,918
Furniture and Equipment	<u>89,100</u>	<u>13,088</u>		<u>102,188</u>
Total Accumulated Depreciation	<u>6,150,811</u>	<u>420,221</u>	<u>0</u>	<u>6,571,032</u>
Total Capital Assets Being Depreciated, Net	<u>11,504,152</u>	<u>4,790,988</u>	<u>0</u>	<u>16,295,140</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,332,864</u>	<u>\$ 5,204,135</u>	<u>\$ 5,081,620</u>	<u>\$ 16,455,379</u>

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 307,667
Instruction-Related Services	29,845
Pupil Services	21,724
General Administration	34,125
Plant Services	<u>26,860</u>
 Total	 <u>\$ 420,221</u>

NOTE 6 - GENERAL OBLIGATION BONDS

On the November 6, 2012, general election, the registered voters of the District approved Measure M, which authorizes the District to issue up to \$6,000,000 in general obligation bonds to finance the renovation, construction, and improvement of school facilities.

On May 29, 2013, the District sold \$3,000,000 of current interest General Obligation Bonds, Election of 2012, Series A as the first series of bonds issued under the Measure M authorization.

On May 28, 2015, the District sold \$3,000,000 of current interest General Obligation Bonds, Election of 2012, Series B as the second and final series of bonds issued under the Measure M authorization.

The general obligation bonds are secured by the full faith and credit of the District. Sonoma County is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the bonds upon all property subject to taxation in the District.

The outstanding general obligation debt of the District as of June 30, 2020, excluding \$221,931 of unamortized bond premiums, is as follows:

Current Interest Bonds

Year Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2019	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2020
2012	3.20	2024	\$ 1,105,000	\$ 539,000		\$ 102,000	\$ 437,000
2013	2.00-4.00	2044	3,000,000	2,675,000		15,000	2,660,000
2015	2.00-5.00	2043	<u>3,000,000</u>	<u>2,930,000</u>	<u> </u>	<u> </u>	<u>2,930,000</u>
Totals			<u>\$ 7,105,000</u>	<u>\$ 6,144,000</u>	<u>\$ 0</u>	<u>\$ 117,000</u>	<u>\$ 6,027,000</u>

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2020, is as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 125,000	\$ 249,379	\$ 374,379
2022	143,000	245,196	388,196
2023	156,000	240,542	396,542
2024	173,000	235,233	408,233
2025	75,000	231,050	306,050
2026-2030	610,000	1,105,185	1,715,185
2031-2035	1,125,000	950,440	2,075,440
2036-2040	1,895,000	618,850	2,513,850
2041-2045	1,725,000	132,375	1,857,375
Totals	<u>\$ 6,027,000</u>	<u>\$ 4,008,250</u>	<u>\$ 10,035,250</u>

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Gravenstein Union School District's Other Post Employment Benefits Plan (Plan), is a single employer defined benefit health care plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

Plan Description / Benefits Provided

The District provides health care benefits to eligible employees. Eligibility requirements vary by employee classification. The benefits provided to eligible retirees are as follows:

	<u>Certificated</u>	<u>Retired Superintendent</u>
Benefit Types Provided	Medical, Dental, and Vision	Medical
Duration of Benefits	To age 65	5 Years
Required Service	10 years	10 years
Minimum age	55	55
Maximum age	58	58
Dependent Coverage	Yes*	None
District Contribution %	100%	100%
District Cap	Active Cap	\$5,000 Per Year

* Only up to the District cap

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, costs and benefits are subject to change.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2019 are as follows:

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	40
Total number of participants	41

Total OPEB Liability

The District's total OPEB liability of \$690,439 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2019 using the following actuarial methods and assumptions:

Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation	2.63%
Salary Increases	2.25%
Discount Rate	3.50%, net of expenses
Health care cost trend rates	4.00% per year

The discount rate is based on the Bond Buyer 20 Bond Index.

Mortality rates were based on the *2020 CalSTRS Mortality* table created by CalSTRS.

Retirement rates were based on *CalSTRS Retirement Rates* tables created by CalSTRS, depending on hire date of employees.

Turnover rates were based on the *2020 CalSTRS Termination Rates* table created by CalSTRS.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at Beginning of Year	\$ 2,253,126
Changes for the year:	
Service cost	240,793
Interest on total OPEB liability	74,213
Differences between expected and actual experience	(1,872,693)
Benefit payments	(5,000)
Net changes	(1,562,687)
Balance at End of Year	\$ 690,439

There were no changes in benefit terms since the prior measurement date.

Sensitivity of District's Total OPEB Liability to Changes in the Discount

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate 1% Decrease	Discount Rate Current Rate	Discount Rate 1% Increase
District's Total OPEB Liability	\$ 767,163	\$ 690,439	\$ 619,441

Sensitivity of District's Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following table presents the total OPEB liability as of the measurement date, calculated using the current health care cost trend rate of 4.00%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Health care Cost Trend rate 1% Decrease	Health care Cost Trend rate Current Rate	Health care Cost Trend rate 1% Increase
District's Total OPEB Liability	\$ 577,488	\$ 690,439	\$ 828,098

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$315,006. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 5,000	
Differences between expected and actual experience		\$ 1,774,130
Changes of assumptions or other inputs		88,636
Totals	\$ 5,000	\$ 1,862,766

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021. Difference between expected and actual experience will be amortized over 19 years, and changes of assumptions or other inputs will be amortized over 9.8 years and recognized in OPEB expense as follows:

Year Ended June 30	\$
2021	(109,927)
2022	(109,927)
2023	(109,927)
2024	(109,927)
2025	(109,927)
Thereafter	(1,313,131)

NOTE 8 - OPERATING LEASES

The District has entered into various operating leases for copiers with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration dates.

NOTE 9 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

The District reported net pension liabilities, deferred outflows of resources, deferred inflows, and pension expense of resources in the accompanying government-wide financial statements as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 6,536,351	\$ 2,553,778	\$ 777,345	\$ 1,419,796
CalPERS	1,524,610	461,611	14,627	338,768
Totals	<u>\$ 8,060,961</u>	<u>\$ 3,015,389</u>	<u>\$ 791,972</u>	<u>\$ 1,758,564</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public-school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. 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 for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

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

Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable services activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established with the enactment of AB 1469 in 2014 (the CalSTRS Funding Plan). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2019-20.

Employers: The employer contribution rate was 17.10% of applicable member earnings for fiscal year 2019-20. This rate reflects the 1.03% reduction of the employer contribution rate for fiscal year 2019-20 pursuant to SB 90. The District contributed \$736,698 to the plan for the fiscal year ended June 30, 2020.

State: The base contribution of 2.017% is calculated based on creditable compensation from two fiscal years prior. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code Section 22955.1. The additional state contribution for the fiscal year ended June 30, 2020 was 5.811%. Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2020. This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

District's proportionate share of the net pension liability	\$ 6,536,351
State's proportionate share of the net pension liability associated with the District	<u>3,566,016</u>
Total net pension liability attributed to District	<u><u>\$ 10,102,367</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0072%
Proportion - June 30, 2018	0.0071%
Change - Increase (Decrease)	0.0001%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$1,419,796, which includes \$497,445 of support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 736,698	
Differences between expected and actual experience	14,412	\$ 173,910
Changes of assumptions	721,872	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,080,796	385,238
Net differences between projected and actual earnings on plan investments		218,197
Totals	\$ 2,553,778	\$ 777,345

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

Year Ended June 30		
2021	\$	268,090
2022		103,927
2023		340,130
2024		235,187
2025		88,307
2026		4,094

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all active and inactive plan members. The average expected remaining service life for STRP members based on the financial reporting actuarial valuation as of June 30, 2018, is 7 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investment are netted and amortized over a close 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

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 of 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash / Liquidity	2%	-0.40%
Total	<u>100%</u>	

* 20-year average

Discount Rate

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

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

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 9,733,168	\$ 6,536,351	\$ 3,885,581

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through 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. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 19.721% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2020 was \$221,233.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a liability of \$1,524,610, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0052%
Proportion - June 30, 2018	0.0050%
Change - Increase (Decrease)	0.0002%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$338,768. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 221,233	
Differences between expected and actual experience	107,136	
Changes of assumptions	65,877	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	67,365	\$ 2,840
Net differences between projected and actual earnings on plan investments		11,787
Totals	\$ 461,611	\$ 14,627

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

Year Ended June 30	
2021	\$ 144,644
2022	48,330
2023	28,769
2024	4,008

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.1 years as of June 30, 2019. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial methods and assumptions

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.50% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 20, 2018 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

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

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONTINUED)

A. California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate (Concluded)

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

The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class (1)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (2)</u>	<u>Real Return Years 11+ (3)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

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

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

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

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 2,197,626	\$ 1,524,610	\$ 966,298

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

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 Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 10 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2020, is shown below:

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020	Due within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 6,375,981		\$ 127,050	\$ 6,248,931	\$ 135,050
Other Long-Term Liabilities:					
Compensated Absences	27,432	\$ 29,026	27,432	29,026	29,026
Total OPEB Liability	2,253,126	(1,557,687)	5,000	690,439	
Net Pension Liability	7,826,924	234,037		8,060,961	
Totals	<u>\$ 16,483,463</u>	<u>\$ (1,294,624)</u>	<u>\$ 159,482</u>	<u>\$ 15,029,357</u>	<u>\$ 164,076</u>

The bond related liabilities are obligations of the Bond Interest & Redemption Fund. All other long-term liabilities are obligations of the General Fund, Cafeteria Fund, and Child Development Fund, as appropriate, based upon where the related salaries are charged.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - FUND BALANCES

The District's fund balances at June 30, 2020 consisted of the following:

	General Fund	Non-Major Governmental Funds	Totals
	<u> </u>	<u> </u>	<u> </u>
Nonspendable:			
Revolving Cash	\$ 1,000		\$ 1,000
Prepaid Expenditures	2,510		2,510
Total Nonspendable	<u>3,510</u>		<u>3,510</u>
Restricted:			
Categorical Programs	466,857		466,857
Food Service Program		\$ 4,415	4,415
Debt Service		403,708	403,708
Capital Projects		142,993	142,993
Total Restricted	<u>466,857</u>	<u>551,116</u>	<u>1,017,973</u>
Assigned:			
Textbook Adoption	350,000		350,000
Facilities Master Plan	250,000		250,000
STRS & PERS Increase	110,000		110,000
Reserve for Enrichments	1,500,000		1,500,000
30% Rainy Day Reserve	2,000,000		2,000,000
OPEB Reserve	844,182		844,182
Deferred Maintenance		22,654	22,654
Child Development Program		139,497	139,497
Capital Projects		379,077	379,077
Total Assigned	<u>5,054,182</u>	<u>541,228</u>	<u>5,595,410</u>
Unassigned:			
Reserve for Economic Uncertainties	981,118		981,118
Remaining Unassigned Balance	4,144,011		4,144,011
Total Unassigned	<u>5,125,129</u>		<u>5,125,129</u>
Totals	<u>\$ 10,649,678</u>	<u>\$ 1,092,344</u>	<u>\$ 11,742,022</u>

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of \$497,445 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019-20, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 14 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements (JPAs) with the Redwood Empire Schools' Insurance Group (RESIG) for property & liability, and workers' compensation insurance coverage, and the West County Transportation Agency for pupil transportation services. The relationship between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provides coverage for its members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 15 - 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. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 16 - GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus includes restriction on travel, quarantine in certain areas, and forced closure for certain type of public spaces and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on local education agencies throughout the United States, especially those located in California.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16 - GLOBAL PANDEMIC (CONCLUDED)

While it is unknown how long these conditions will last and what the complete financial effect will be on local education agencies, to date, the District has not experienced any significant negative financial impact. However, due to the existence of significant economic impacts at the Federal, State, and Local government levels, it is reasonably possible that the District will be vulnerable to the risk of a near-term severe impact from the coronavirus.

NOTE 17 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 14, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 3,684,544	\$ 5,489,693	\$ 5,625,247	\$ 135,554
Local Sources	3,079,192	3,133,794	3,202,633	68,839
Total LCFF Sources	6,763,736	8,623,487	8,827,880	204,393
Federal Revenue	158,761	146,254	148,904	2,650
Other State Revenue	435,038	625,196	709,968	84,772
Other Local Revenue	277,076	491,405	521,212	29,807
Total Revenues	7,634,611	9,886,342	10,207,964	321,622
<u>Expenditures</u>				
Current:				
Certificated Salaries	4,320,549	4,420,285	4,350,428	69,857
Classified Salaries	938,004	1,115,112	1,108,598	6,514
Employee Benefits	2,108,991	2,317,096	2,295,038	22,058
Books and Supplies	312,626	610,704	574,127	36,577
Services and Other				
Operating Expenditures	1,004,104	1,142,062	994,774	147,288
Capital Outlay	25,000	261,836	232,904	28,932
Total Expenditures	8,709,274	9,867,095	9,555,869	311,226
Excess of Revenues Over (Under) Expenditures	(1,074,663)	19,247	652,095	632,848
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(44,937)	(1,550,812)	(44,937)	1,505,875
Net Change in Fund Balances	(1,119,600)	(1,531,565)	607,158	<u>\$ 2,138,723</u>
Fund Balances - July 1, 2019	10,042,520	10,042,520	10,042,520	
Fund Balances - June 30, 2020	<u>\$ 8,922,920</u>	<u>\$ 8,510,955</u>	<u>\$ 10,649,678</u>	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 240,793	\$ 233,780	\$ 226,972
Interest on Total OPEB Liability	74,213	64,744	56,501
Differences Between Expected and Actual Experience	(1,872,693)		
Changes in Assumptions or Other Inputs		(111,364)	
Benefit Payments	<u>(5,000)</u>	<u>(5,000)</u>	<u>(25,350)</u>
Net Change in Total OPEB Liability	(1,562,687)	182,160	258,123
Total OPEB Liability - Beginning	<u>2,253,126</u>	<u>2,070,966</u>	<u>1,812,843</u>
Total OPEB Liability - Ending	<u><u>\$ 690,439</u></u>	<u><u>\$ 2,253,126</u></u>	<u><u>\$ 2,070,966</u></u>
Covered-employee Payroll	\$ 3,032,470	\$ 3,505,475	\$ 3,352,170
District's Total OPEB Liability as a % of Covered-employee Payroll	22.77%	64.27%	61.78%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2020

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>State's Proportionate Share of the NPL Associated to District</u>	<u>Total NPL Attributed to District</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2020	0.0072%	\$ 6,536,351	\$ 3,566,016	\$ 10,102,367	\$ 4,031,701	162.12%	72.56%
2019	0.0071%	6,503,145	3,723,354	10,226,499	3,756,847	173.10%	70.99%
2018	0.0063%	5,844,909	3,457,799	9,302,708	3,401,129	171.85%	69.46%
2017	0.0068%	5,505,293	3,134,065	8,639,358	3,213,933	171.29%	70.04%
2016	0.0052%	3,469,120	1,834,782	5,303,902	2,968,649	116.86%	74.02%
2015	0.0061%	3,547,308	2,141,998	5,689,306	2,703,733	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2020

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2020	0.0052%	\$ 1,524,610	\$ 715,823	212.99%	70.05%
2019	0.0050%	1,323,779	654,858	202.15%	70.85%
2018	0.0047%	1,123,568	599,280	187.49%	71.87%
2017	0.0048%	943,044	572,845	164.62%	73.90%
2016	0.0054%	792,281	595,064	133.14%	79.43%
2015	0.0046%	523,708	484,268	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 736,698	\$ 736,698	\$ 0	\$ 4,308,175	17.10%
2019	656,361	656,361	0	4,031,701	16.28%
2018	542,113	542,113	0	3,756,847	14.43%
2017	427,862	427,862	0	3,401,129	12.58%
2016	344,855	344,855	0	3,213,933	10.73%
2015	263,616	263,616	0	2,968,649	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 221,233	\$ 221,233	\$ 0	\$ 1,121,814	19.721%
2019	129,292	129,292	0	715,823	18.062%
2018	101,706	101,706	0	654,858	15.531%
2017	83,228	83,228	0	599,280	13.888%
2016	67,865	67,865	0	572,845	11.847%
2015	70,045	70,045	0	595,064	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). There was no excess of expenditures over appropriations in the General Fund as of June 30, 2020.

B. Schedule of Changes in Total OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB 75), the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

C. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

D. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

The District has no assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

B. Benefit Terms

There have been no changes to benefit terms since the prior measurement date.

C. Changes in Assumptions or other inputs

The discount rate changed from 3.13% at June 30, 2018 to 3.50 at June 30, 2019.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

A. Benefit Terms

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

B. Changes in Assumptions

There were no changes in assumptions since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

SUPPLEMENTARY INFORMATION SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ORGANIZATION

The Gravenstein Union School District was established in 1956 and comprises an area located in Sonoma County. There were no changes in the boundaries of the District during the current year. The District operates four schools: one elementary school, one charter elementary school, one charter middle school, and one community day school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Steve Schwartz	President	December 2020
Gregory Appling	Clerk	December 2022
Jennifer Koelemeijer	Member	December 2022
Alexander Kahn	Member	December 2020
Patrick Lei	Member	December 2022

ADMINISTRATION

Dave Rose
Superintendent

Wanda Holden
Chief Business Officer

**GRAVENSTEIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Deferred Maintenance	Cafeteria	Child Development
<u>Assets</u>			
Deposits and Investments	\$ 22,654	\$ 4,415	\$ 140,363
Receivables			12
Total Assets	\$ 22,654	\$ 4,415	\$ 140,375
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable			\$ 878
Fund Balances:			
Restricted		\$ 4,415	
Assigned	\$ 22,654		139,497
Total Fund Balances	22,654	4,415	139,497
Total Liabilities and Fund Balances	\$ 22,654	\$ 4,415	\$ 140,375

SEE NOTES TO SUPPLEMENTARY INFORMATION

Bond Interest and Redemption	Capital Facilities	County School Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
\$ 403,708	\$ 142,993	\$ 7	\$ 384,179	\$ 1,098,319
				12
<u>\$ 403,708</u>	<u>\$ 142,993</u>	<u>\$ 7</u>	<u>\$ 384,179</u>	<u>\$ 1,098,331</u>
			\$ 5,109	\$ 5,987
\$ 403,708	\$ 142,993	\$ 7	379,070	551,116
				541,228
<u>403,708</u>	<u>142,993</u>	<u>7</u>	<u>379,070</u>	<u>1,092,344</u>
<u>\$ 403,708</u>	<u>\$ 142,993</u>	<u>\$ 7</u>	<u>\$ 384,179</u>	<u>\$ 1,098,331</u>

**GRAVENSTEIN UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Child Development</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 19,507		
Federal Revenue		\$ 39,537	
State Revenue		2,132	\$ 1,572
Local Revenue	44	33,590	141,148
	<u>19,551</u>	<u>75,259</u>	<u>142,720</u>
<u>Expenditures</u>			
Current:			
Food Services		108,188	
Plant Services	69,182		
Facilities Acquisition and Construction			
Community Services			242,142
Other Outgo			
Debt Service:			
Principal Retirement			
Interest and Issuance Costs			
	<u>69,182</u>	<u>108,188</u>	<u>242,142</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	(49,631)	(32,929)	(99,422)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	25,171	19,766	0
Net Change in Fund Balances	(24,460)	(13,163)	(99,422)
Fund Balances - July 1, 2019	47,114	17,578	238,919
Fund Balances - June 30, 2020	<u>\$ 22,654</u>	<u>\$ 4,415</u>	<u>\$ 139,497</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
				\$ 19,507
				39,537
\$ 2,894				6,598
368,594	\$ 9,584	\$ 1	\$ 9,715	562,676
<u>371,488</u>	<u>9,584</u>	<u>1</u>	<u>9,715</u>	<u>628,318</u>
				108,188
				69,182
			225,846	225,846
	2,478			242,142
				2,478
117,000				117,000
255,566				255,566
<u>372,566</u>	<u>2,478</u>	<u>0</u>	<u>225,846</u>	<u>1,020,402</u>
(1,078)	7,106	1	(216,131)	(392,084)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,937</u>
(1,078)	7,106	1	(216,131)	(347,147)
404,786	135,887	6	595,201	1,439,491
<u>\$ 403,708</u>	<u>\$ 142,993</u>	<u>\$ 7</u>	<u>\$ 379,070</u>	<u>\$ 1,092,344</u>

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	P-2 Report		
	TK / K - 3	7 - 8	Totals
Regular	38.50		38.50
Special Education - Nonpublic		1.23	1.23
Extended Year - Nonpublic		0.14	0.14
Community Day School		0.23	0.23
Totals	<u>38.50</u>	<u>1.60</u>	<u>40.10</u>

	Annual Report		
	TK / K - 3	4 - 6	Totals
Regular	38.50		38.50
Special Education - Nonpublic		1.23	1.23
Extended Year - Nonpublic		0.14	0.14
Community Day School		0.23	0.23
Totals	<u>38.50</u>	<u>1.60</u>	<u>40.10</u>

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>P-2 Reports</u>		<u>Annual Reports</u>	
	<u>Classroom- Based</u>	<u>Totals</u>	<u>Classroom- Based</u>	<u>Totals</u>
<i>Gravenstein Elementary Charter School:</i>				
TK / K - 3	268.21	272.14	268.21	272.14
Grades 4 - 6	158.57	159.89	158.57	159.89
Totals	<u>426.78</u>	<u>432.03</u>	<u>426.78</u>	<u>432.03</u>
 <i>Hillcrest Middle Charter School:</i>				
Grades 4 - 6	108.76	109.52	108.76	109.52
Grades 7 - 8	152.96	154.28	152.96	154.28
Totals	<u>261.72</u>	<u>263.80</u>	<u>261.72</u>	<u>263.80</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2019-20 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 1	50,400	51,570	180	N/A	In Compliance

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2019-20 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
<u>Gravenstein Elementary</u>					
Kindergarten	36,000	51,570	180	N/A	In Compliance
Grade 1	50,400	61,420	180	N/A	In Compliance
Grade 2	50,400	61,420	180	N/A	In Compliance
Grade 3	50,400	61,410	180	N/A	In Compliance
Grade 4	54,000	61,410	180	N/A	In Compliance
Grade 5	54,000	61,410	180	N/A	In Compliance
<u>Hillcrest Middle</u>					
Grade 6	54,000	60,004	180	N/A	In Compliance
Grade 7	54,000	60,004	180	N/A	In Compliance
Grade 8	54,000	60,004	180	N/A	In Compliance

GRAVENSTEIN UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue - Special Reserve Fund	Special Reserve For Post Employment Benefits Fund
June 30, 2020 Annual Financial and Budget Report Fund Balances	\$ 9,268,646	\$ 536,850	\$ 844,182
Reclassifications Increasing (Decreasing) Fund Balances:			
Reclassifications of Fund Balances	<u>1,381,032</u>	<u>(536,850)</u>	<u>(844,182)</u>
June 30, 2020 Audited Financial Statements Fund Balances	<u>\$ 10,649,678</u>	<u>\$ 0</u>	<u>\$ 0</u>

Auditor's Comments

The fund balances of the General Fund, Special Revenue - Special Reserve Fund and Special Reserve for Post Employment Benefits Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2020.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL FUND			
	(Budget) 2020-21	2019-20	2018-19	2017-18
Revenues and Other Financial Sources	\$ 8,664,547	\$ 10,207,964	\$ 10,339,491	\$ 9,432,043
Expenditures	9,252,471	9,555,869	8,811,907	7,211,973
Other Uses and Transfers Out	44,937	44,937	960,004	2,087,656
Total Outgo	9,297,408	9,600,806	9,771,911	9,299,629
Change in Fund Balance	(632,861)	607,158	567,580	132,414
Ending Fund Balance	\$ 10,016,817	\$ 10,649,678	\$ 10,042,520	\$ 9,474,940
Available Reserves	\$ 4,346,594	\$ 5,125,129	\$ 3,509,350	\$ 2,995,791
Reserve for Economic Uncertainties *	\$ 935,047	\$ 981,118	\$ 431,643	\$ 384,200
Available Reserves as a Percentage of Total Outgo	46.8%	53.4%	35.9%	32.2%
Total Long-Term Liabilities	\$ 14,865,281	\$ 15,029,357	\$ 16,483,463	\$ 15,553,988
Average Daily Attendance at P-2 (Inclusive of Charter Schools)	736	736	719	703

* Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$1,174,738 (12.4%) over the past two years. The fiscal year 2020-21 budget projects a decrease of \$632,861 (5.9%). For a district this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses in each of the past three fiscal years.

Total long-term liabilities decreased \$524,631 over the past two years.

Average daily attendance (ADA) increased 33 ADA over the past two years. The District projects no change in ADA during fiscal year 2020-21.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Charter School</u>	<u>Charter Number</u>	<u>District Audit</u>
Gravenstein Elementary Charter School	1445	Included
Hillcrest Middle Charter School	1444	Included

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

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

C. Schedule of Average Daily Attendance - Charter Schools

The average daily attendance is a measurement of the number of pupils attending classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of classroom-based and nonclassroom-based students at various grade levels at Gravenstein Elementary and Hillcrest Middle Charter Schools.

D. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code. The District submitted the Covid-19 School Closure Certification on July 7, 2020 and reported 47 total number of instructional days school closed due to Covid-19.

E. Schedule of Instructional Time - Charter Schools

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by Gravenstein Elementary and Hillcrest Middle Charter Schools and whether the charter schools complied with the provisions of Education Code Section 47612.5(a)(1). The District submitted the Covid-19 School Closure Certification on July 17, 2020 and reported 47 total number of instructional days school closed due to Covid-19.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

G. 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.

H. Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and identifies whether or not the charter schools were included or excluded from the audit of the District.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Gravenstein Union School District
Sebastopol, California

Report on State Compliance

We have audited Gravenstein Union School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Gravenstein Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of Gravenstein Union School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No (See below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Not Applicable
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	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (See below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for independent study and nonclassroom-based instruction/independent study because the average daily attendance claimed by the District does not exceed the thresholds that requires testing.

Opinion on State Compliance

In our opinion, Gravenstein Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2020-003**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 14, 2020

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Gravenstein Union School District
Sebastopol, 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 major fund, and the aggregate remaining fund information of the Gravenstein Union School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies, as noted in **Findings 2020-001** and **2020-002**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 14, 2020

FINDINGS AND QUESTIONED COSTS SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	_____ No
Significant deficiencies identified not considered to be material weaknesses?	_____ X Yes	_____ X None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X No

State Awards

Any audit findings required to be reported in accordance with the <i>2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?</i>	_____ X Yes	_____ No
Type of auditor's report issued on compliance for state programs:	Unmodified	

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020 - 001 / 30000

SIGNIFICANT DEFICIENCY

PAYROLL

Criteria: All districts should establish appropriate accounting controls to ensure that payroll transactions are performed in a complete and accurate manner. In addition, the accounting controls should be designed to detect and correct payroll errors in a timely manner.

Condition: The current accounting controls over payroll transactions are inadequate and are not designed to detect and correct errors in a timely manner. As a result, we identified a payroll calculation error that occurred during fiscal year 2019-20, that was not detected or corrected by the District.

Questioned Costs: None. One employee was underpaid \$66.10. The District has already reimbursed the underpaid employee.

Context: The condition was noted in 1 of 40 payroll transactions tested.

Effect: When effective accounting controls are not in place, accounting errors and/or improprieties are more likely to occur and not be detected in a timely manner.

Cause: The current accounting controls do not appear to require a detailed review to be performed by someone other than the individual who processed the payroll.

Recommendation: The District should establish procedures to ensure that all employees are paid the correct amount in the future. The accounting controls established should require a detailed review to be performed by someone other than the individual who is responsible for processing the payroll.

District Response: In 2019-20 the District did not have sufficient staffing to allow a detailed review to be performed by someone other than the person who processed the payroll. The District has since hired additional FTE to handle the necessary task of a detailed review for all payroll submissions. One of the specific duties assigned to the Business/HR Clerk in the 2020-21 school year is to perform a monthly detailed review of the payroll so that errors can be corrected in a timely manner. Additionally, the supplemental time sheet has been revised to include a column specifically for overtime to lessen the chance that an error would be made going forward. This new time sheet was created in September of 2020.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2020 - 002 / 30000

SIGNIFICANT DEFICIENCY

CLEARING BANK ACCOUNT

Criteria: Cash receipts should be deposited into an interest-bearing account in a timely manner to maximize interest earnings and to safeguard District assets.

Condition: Deposits made into the clearing bank account were not transferred to the County Treasury in a timely manner. The balance in the clearing account for the month of October 2019 exceeded \$100,000, and balances for several months during the fiscal year averaged between \$30,000 to \$50,000.

Questioned Costs: None.

Context: The condition was noted throughout fiscal year 2019-20.

Effect: The District was not earning interest on deposits held in the non-interest-bearing clearing bank account.

Cause: Clearing deposits from the clearing bank account to the County Treasury was not a priority.

Recommendation: The District should develop policies and procedures that require clearing bank account deposits to be transferred to the County Treasury account on at least a monthly basis.

District Response: In the 2019-20 school year, the GUSD CBO was the only person in the Business Office trained to generate the deposits to the county treasury. More pressing priorities often occurred for the CBO who is responsible for a wide variety of other Business and HR functions. In November of 2020, the Board of Trustees wisely approved the increase in FTE for both the District Business/HR Clerk and the Gravenstein School Secretary. The reduction in School Secretary sub time and the increase in overall FTE for the Business/HR Clerk will allow her time to be trained to do the treasury deposits as well as take care of other important Business Office/HR priorities. Necessary training is currently underway for the clearing deposits to be deposited to the county treasury. The clearing deposits will be cleared to the county treasury on a monthly basis beginning in Dec of 2020.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2020 - 003 / 10000

ATTENDANCE

<u>Criteria:</u>	In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.
<u>Condition:</u>	Teachers are not recording attendance in a complete and accurate manner. Accordingly, students were not marked as being absent on days when the students were ill or out of school for the entire day or were marked as absent when the students were present.
<u>Questioned Costs:</u>	None. The attendance for the students was marked accurately by the school secretary.
<u>Context:</u>	The condition was noted throughout fiscal year 2019-20 at Hillcrest Middle School.
<u>Effect:</u>	Attendance is not recorded and kept in accordance with regulations prescribed by the State Board of Education.
<u>Cause:</u>	Teachers are not following established District attendance reporting procedures.
<u>Recommendation:</u>	The District should inform all teachers about the importance of accurate attendance reporting.
<u>District Response:</u>	The District has informed all teachers about the importance of accurate attendance reporting. School site Administrators have reviewed all attendance procedures with teachers on their campus and are checking daily to ensure that all teachers are following District attendance procedures to allow for accurate attendance reporting.

**GRAVENSTEIN UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIALS STATEMENTS</u>		
2019 - 001 / 30000		
<u>FINANCIAL REPORTING - EXPENDITURE RECOGNITION</u>	Implemented	
The District should establish appropriate procedures to ensure that all significant expenditures are recorded in the appropriate financial reporting period.		