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

## AUDIT REPORT

## JUNE 30, 2021

**GRAVENSTEIN UNION SCHOOL DISTRICT**

**JUNE 30, 2021**

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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, each major fund, and the remaining fund information of the Gravenstein Union School District, as of and for the year ended June 30, 2021, 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.



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Gravenstein Union School District, as of June 30, 2021, 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.

Emphasis of Matter

As described in Note 1B to the financial statements, in the fiscal year 2020-21, the District adopted new accounting guidance, Governmental Accounting Standard Board Statement No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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.

Other Matters (Concluded)

*Other Information (Concluded)*

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 28, 2021 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 28, 2021

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, 2021. 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.

## FINANCIAL HIGHLIGHTS

- The District's overall financial status declined slightly during the course of the year, as net position decreased 3%.

- On the Statement of Activities, total current year expenses exceeded total current year revenues by $428,539.

- Net capital assets decreased $127,262 due to the current year acquisition and construction of $294,857 of new capital assets and improvements, and the current year recognition of $422,119 of depreciation expense.

- Total long-term liabilities increased $2,117,069 due primarily to the increase in the District's other post employment benefits and the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

- The District's General Fund incurred an operating deficit of $852,591 during fiscal year 2020-21 and recognized a $629,046 increase in its available reserves.

- 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 2020-21, General Fund total outgo was $11,523,135. At June 30, 2021, the District had available reserves of $5,754,175 which represents a reserve of 49.9%.

## 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.

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.

## 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.

The major governmental funds of the Gravenstein Union School District are the General Fund and Capital Projects - Special Reserve 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.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position decreased from $13,435,347 at June 30, 2020 down to $13,006,808 at June 30, 2021, a decrease of 3%.

### Comparative Statement of Net Position

| | Governmental Activities | |
|---|---|---|
| | 2020 | 2021 |
| Assets | | |
| Deposits and Investments * | $ 11,136,862 | $ 10,597,988 |
| Receivables | 1,300,587 | 2,607,761 |
| Prepaid Expenses | 2,510 | 2,270 |
| Capital Assets, net | 16,455,379 | 16,328,117 |
| Total Assets * | 28,895,338 | 29,536,136 |
| Deferred Outflows of Resources | | |
| OPEB Deferrals | 5,000 | 115,731 |
| Pension Deferrals | 3,015,389 | 3,779,526 |
| Total Deferred Outflows of Resources | 3,020,389 | 3,895,257 |
| Liabilities | | |
| Current | 960,361 | 1,277,935 |
| Long-term | 14,865,281 | 16,950,922 |
| Total Liabilities | 15,825,642 | 18,228,857 |
| Deferred Inflows of Resources | | |
| OPEB Deferrals | 1,862,766 | 1,752,839 |
| Pension Deferrals | 791,972 | 442,889 |
| Total Deferred Inflows of Resources | 2,654,738 | 2,195,728 |
| Net Position | | |
| Net Investment in Capital Assets | 10,206,448 | 10,214,236 |
| Restricted * | 923,135 | 1,457,821 |
| Unrestricted | 2,305,764 | 1,334,751 |
| Total Net Position * | $ 13,435,347 | $ 13,006,808 |

*Table includes financial data of the combined governmental funds*

* *Prior year balances have been adjusted to reflect the restatement discussed in Note 16*

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

The District's total current year expenses exceeded total current year revenues by $428,539.

### Comparative Statement of Changes in Net Position

| | Governmental Activities 2020 | Governmental Activities 2021 |
|---|---|---|
| Program Revenues | | |
| Charges for Services | $ 48,653 | $ 21,870 |
| Operating Grants & Contributions | 1,018,412 | 1,448,244 |
| General Revenues | | |
| Taxes Levied | 3,568,868 | 3,749,327 |
| Federal & State Aid | 5,794,816 | 5,733,532 |
| Interest & Investment Earnings | 226,134 | 92,094 |
| Miscellaneous | 179,399 | 96,929 |
| Total Revenues | 10,836,282 | 11,141,996 |
| Expenses | | |
| Instruction | 7,527,853 | 7,967,522 |
| Instruction-Related Services | 730,232 | 782,351 |
| Pupil Services | 531,530 | 712,684 |
| General Administration | 834,962 | 855,377 |
| Plant Services | 657,206 | 693,499 |
| Other Expenses | 547,626 | 559,102 |
| Total Expenses | 10,829,409 | 11,570,535 |
| Changes in Net Position | $ 6,873 | $ (428,539) |

*Table includes financial data of the combined governmental funds*

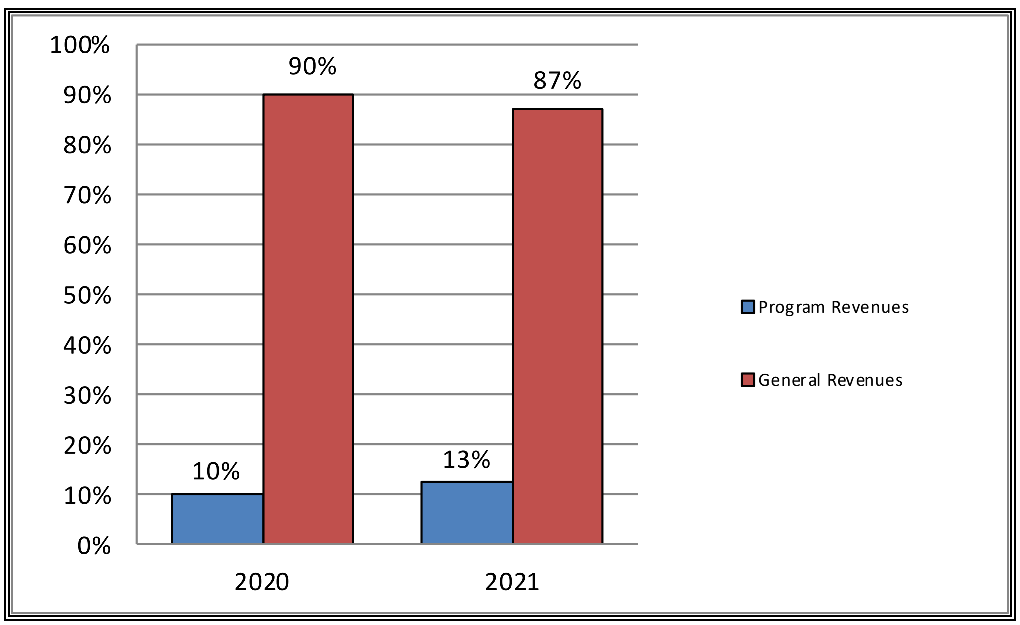
## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

**Comparative Schedule of Costs of Services**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 |
| Instruction | $ 7,527,853 | $ 7,967,522 | $ 6,716,837 | $ 6,757,307 |
| Instruction-Related Services | 730,232 | 782,351 | 697,511 | 742,158 |
| Pupil Services | 531,530 | 712,684 | 344,586 | 538,857 |
| General Administration | 834,962 | 855,377 | 817,899 | 835,278 |
| Plant Services | 657,206 | 693,499 | 647,362 | 677,349 |
| Other Expenses | 547,626 | 559,102 | 538,149 | 549,472 |
| Totals | $ 10,829,409 | $ 11,570,535 | $ 9,762,344 | $ 10,100,421 |

*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 $10,100,421 net cost represents the share of total cost that the District's general revenues provide for the services listed.



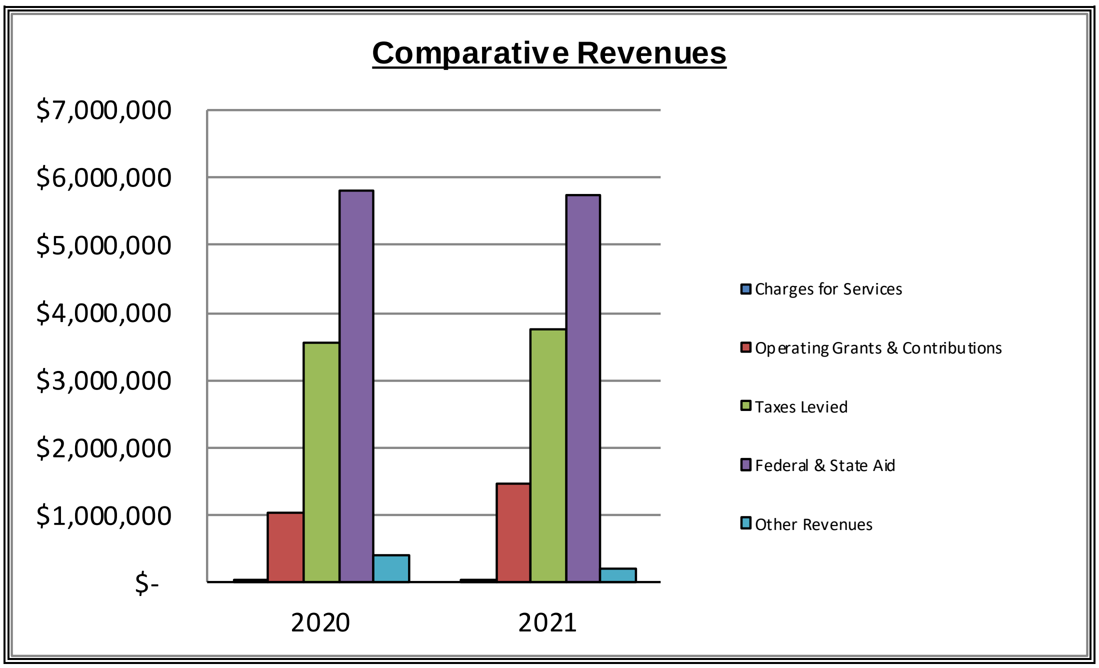

For fiscal year 2020-21, program revenues financed 13% of the total cost of providing the services listed above, while the remaining 87% was financed by the general revenues of the District.

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

### Summary of Revenues For Governmental Functions

| | FYE 2020 Amount | Percent of Total | FYE 2021 Amount | Percent of Total |
|---|---|---|---|---|
| Program Revenues | | | | |
| Charges for Services | $ 48,653 | 0.45% | $ 21,870 | 0.20% |
| Operating Grants & Contributions | 1,018,412 | 9.40% | 1,448,244 | 13.00% |
| General Revenues | | | | |
| Taxes Levied | 3,568,868 | 32.93% | 3,749,327 | 33.65% |
| Federal & State Aid | 5,794,816 | 53.48% | 5,733,532 | 51.46% |
| Other Revenues | 405,533 | 3.74% | 189,023 | 1.70% |
| Total Revenues | $ 10,836,282 | 100.00% | $ 11,141,996 | 100.00% |

*Table includes financial data of the combined governmental funds*

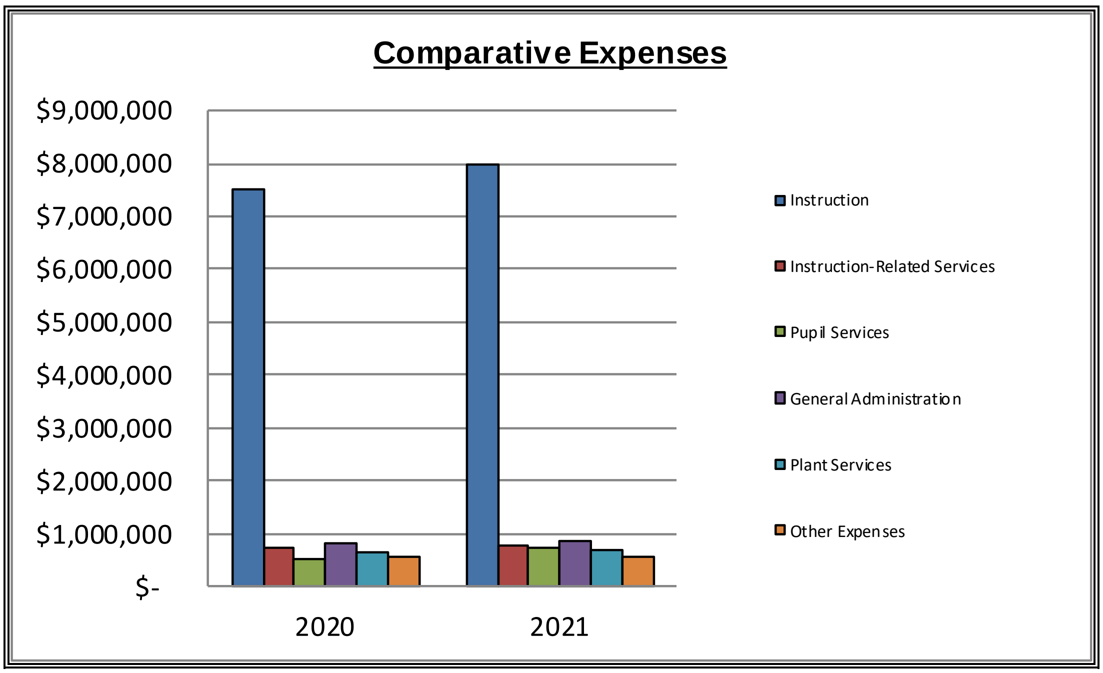


## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

### Summary of Expenses For Governmental Functions

| | FYE 2020 Amount | Percent of Total | FYE 2021 Amount | Percent of Total |
|---|---|---|---|---|
| Expenses | | | | |
| Instruction | $ 7,527,853 | 69.51% | $ 7,967,522 | 68.86% |
| Instruction-Related Services | 730,232 | 6.74% | 782,351 | 6.76% |
| Pupil Services | 531,530 | 4.91% | 712,684 | 6.16% |
| General Administration | 834,962 | 7.71% | 855,377 | 7.39% |
| Plant Services | 657,206 | 6.07% | 693,499 | 5.99% |
| Other Expenses | 547,626 | 5.06% | 559,102 | 4.83% |
| Total Expenses | $ 10,829,409 | 100.00% | $ 11,570,535 | 100.00% |

*Table includes financial data of the combined governmental funds*



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

### Comparative Schedule of Capital Assets

| | Governmental Activities 2020 | Governmental Activities 2021 |
|---|---|---|
| Land | $ 149,717 | $ 149,717 |
| Sites and Improvements | 1,365,065 | 1,365,065 |
| Buildings and Improvements | 21,281,156 | 21,319,085 |
| Furniture and Equipment | 219,951 | 219,951 |
| Construction-in-Progress | 10,522 | 267,450 |
| Subtotals | 23,026,411 | 23,321,268 |
| Less: Accumulated Depreciation | (6,571,032) | (6,993,151) |
| Capital Assets, net | $ 16,455,379 | $ 16,328,117 |

Net capital assets decreased $127,262 due to the current year acquisition and construction of $294,857 of new capital assets and improvements, and the current year recognition of $422,119 of depreciation expense.

### Comparative Schedule of Long-Term Liabilities

| | Governmental Activities 2020 | Governmental Activities 2021 |
|---|---|---|
| Compensated Absences | $ 29,026 | $ 42,454 |
| General Obligation Bonds | 6,248,931 | 6,113,881 |
| Total OPEB Liability | 690,439 | 895,020 |
| Net Pension Liability | 8,060,961 | 10,095,071 |
| Totals | $ 15,029,357 | $ 17,146,426 |

The general obligation bonds are financed by the local taxpayers and represent 36% of the District's total long-term liabilities, total OPEB liability represent 5%, and the net pension liabilities represent 59%. The District has satisfied all debt service requirements on its bonded debt and continues to maintain an excellent credit rating on its debt issue. 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.

## FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund decreased $852,591, and the combined fund balances of all other District governmental funds increased $1,329,058.

## 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. 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 nature of the virus and the changing guidance provided by the California Department of Education, further procedural modifications may be necessary. In addition, State and Local economies have also been impacted by Covid-19, which may affect future school funding and student enrollment.

Employer contribution rates for CalSTRS and CalPERS is expected to increase on an annual basis for the near future. In addition, there is an increasing risk of an economic downturn as the current expansion cycle has exceeded most previous cycles. The Governor and Department of Finance continue to urge the Legislation and local governments, including local education agencies, to plan for the next recession.

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, 2021

| | | Governmental Activities |
|---|---|---|
| ***Assets*** | | |
| Deposits and Investments (Note 2) | $ | 10,597,988 |
| Receivables (Note 3) | | 2,607,761 |
| Prepaid Expenses (Note 1I) | | 2,270 |
| Capital Assets, Not Depreciated (Note 5) | | 417,167 |
| Capital Assets, Net of Accumulated Depreciation | | 15,910,950 |
| Total Assets | | 29,536,136 |
| ***Deferred Outflows of Resources*** | | |
| OPEB Deferrals (Note 7) | | 115,731 |
| Pension Deferrals (Note 9) | | 3,779,526 |
| Total Deferred Outflows of Resources | | 3,895,257 |
| ***Liabilities*** | | |
| Accounts Payable and Other Current Liabilities | | 870,966 |
| Accrued Interest Payable | | 101,830 |
| Unearned Revenue (Note 1I) | | 109,635 |
| Long-Term Liabilities: | | |
| *Portion Due or Payable Within One Year:* | | |
| Compensated Absences (Note 1I) | | 42,454 |
| General Obligation Bonds (Note 6) | | 153,050 |
| *Portion Due or Payable After One Year:* | | |
| General Obligation Bonds (Note 6) | | 5,960,831 |
| Total OPEB Liability (Note 7) | | 895,020 |
| Net Pension Liabilities (Note 9) | | 10,095,071 |
| Total Liabilities | | 18,228,857 |
| ***Deferred Inflows of Resources*** | | |
| OPEB Deferrals (Note 7) | | 1,752,839 |
| Pension Deferrals (Note 9) | | 442,889 |
| Total Deferred Inflows of Resources | | 2,195,728 |
| ***Net Position*** | | |
| Net Investment in Capital Assets | | 10,214,236 |
| Restricted: | | |
| For Capital Projects | | 161,255 |
| For Debt Service | | 311,059 |
| For Educational Programs | | 974,538 |
| For Other Purposes | | 10,969 |
| Unrestricted | | 1,334,751 |
| Total Net Position | $ | 13,006,808 |

# GRAVENSTEIN UNION SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **Functions** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** |
| ***Governmental Activities*** | | | | | |
| Instruction | $ 7,967,522 | $ 17,606 | $ 1,192,609 | | $ (6,757,307) |
| Instruction-Related Services: | | | | | |
| Supervision of Instruction | 18,713 | | 3,581 | | (15,132) |
| Instructional Library and Technology | 68,022 | | | | (68,022) |
| School Site Administration | 695,616 | | 36,612 | | (659,004) |
| Pupil Services: | | | | | |
| Home-to-School Transportation | 69,821 | | 4,075 | | (65,746) |
| Food Services | 106,621 | 1,651 | 46,305 | | (58,665) |
| Other Pupil Services | 536,242 | | 121,796 | | (414,446) |
| General Administration: | | | | | |
| Data Processing Services | 1,460 | | | | (1,460) |
| Other General Administration | 853,917 | | 20,099 | | (833,818) |
| Plant Services | 693,499 | | 16,150 | | (677,349) |
| Ancillary Services | 12,557 | | 1,461 | | (11,096) |
| Community Services | 307,211 | | 1,421 | | (305,790) |
| Interest on Long-Term Debt | 236,232 | | | | (236,232) |
| Other Outgo | 3,102 | 2,613 | 4,135 | | 3,646 |
| Total Governmental Activities | $ 11,570,535 | $ 21,870 | $ 1,448,244 | $ 0 | (10,100,421) |
| ***General Revenues*** | | | | | |
| Taxes Levied for General Purposes | | | | | 3,365,389 |
| Taxes Levied for Debt Service | | | | | 383,938 |
| Federal and State Aid - Unrestricted | | | | | 5,733,532 |
| Interest and Investment Earnings | | | | | 92,094 |
| Miscellaneous | | | | | 96,929 |
| Total General Revenues | | | | | 9,671,882 |
| Change in Net Position | | | | | (428,539) |
| Net Position - July 1, 2020 (As Restated - Note 16) | | | | | 13,435,347 |
| Net Position - June 30, 2021 | | | | | $ 13,006,808 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

# GRAVENSTEIN UNION SCHOOL DISTRICT
## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2021

| | General | Capital Projects - Special Reserve | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| ***Assets*** | | | | |
| Deposits and Investments (Note 2) | $ 9,765,561 | $ 237,501 | $ 594,926 | $ 10,597,988 |
| Receivables (Note 3) | 2,597,219 | | 10,542 | 2,607,761 |
| Due from Other Funds (Note 4) | | 1,700,000 | 44,840 | 1,744,840 |
| Prepaid Expenditures (Note 1I) | 2,270 | | | 2,270 |
| Total Assets | $ 12,365,050 | $ 1,937,501 | $ 650,308 | $ 14,952,859 |
| ***Liabilities and Fund Balances*** | | | | |
| Liabilities: | | | | |
| Accounts Payable | $ 713,488 | $ 140,620 | $ 16,858 | $ 870,966 |
| Due to Other Funds (Note 4) | 1,744,840 | | | 1,744,840 |
| Unearned Revenue (Note 1I) | 109,635 | | | 109,635 |
| Total Liabilities | 2,567,963 | 140,620 | 16,858 | 2,725,441 |
| Fund Balances: (Note 11) | | | | |
| Nonspendable | 3,270 | | | 3,270 |
| Restricted | 974,538 | | 581,843 | 1,556,381 |
| Assigned | 3,065,104 | 1,796,881 | 51,607 | 4,913,592 |
| Unassigned | 5,754,175 | | | 5,754,175 |
| Total Fund Balances | 9,797,087 | 1,796,881 | 633,450 | 12,227,418 |
| Total Liabilities and Fund Balances | $ 12,365,050 | $ 1,937,501 | $ 650,308 | $ 14,952,859 |

**GRAVENSTEIN UNION SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2021**

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | | $ 12,227,418 |
| 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 | $ 23,321,268 | |
| Accumulated Depreciation | (6,993,151) | |
| Net | | 16,328,117 |
| 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: | | 1,699,529 |
| 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 | 42,454 | |
| General Obligation Bonds | 6,113,881 | |
| Total OPEB Liability | 895,020 | |
| Net Pension Liabilities | 10,095,071 | |
| Total | | (17,146,426) |
| 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 unmatured interest owed at the end of the period was: | | (101,830) |
| **Total Net Position - Governmental Activities** | | $ 13,006,808 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

## GRAVENSTEIN UNION SCHOOL DISTRICT
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | General | Capital Projects - Special Reserve | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| ***Revenues*** | | | | |
| LCFF Sources: | | | | |
| State Apportionment / Transfers | $ 5,568,002 | | $ 19,507 | $ 5,587,509 |
| Local Taxes | 3,365,389 | | | 3,365,389 |
| Total LCFF Sources | 8,933,391 | | 19,507 | 8,952,898 |
| Federal Revenue | 442,145 | | 37,467 | 479,612 |
| State Revenue | 968,704 | | 5,287 | 973,991 |
| Local Revenue | 326,304 | $ 2,643 | 406,548 | 735,495 |
| Total Revenues | 10,670,544 | 2,643 | 468,809 | 11,141,996 |
| ***Expenditures*** | | | | |
| Current: | | | | |
| Instruction | 7,064,157 | | | 7,064,157 |
| Supervision of Instruction | 17,185 | | | 17,185 |
| Instructional Library and Technology | 61,917 | | | 61,917 |
| School Site Administration | 597,412 | | | 597,412 |
| Home-To-School Transportation | 67,144 | | | 67,144 |
| Food Services | 9,873 | | 89,846 | 99,719 |
| Other Pupil Services | 476,307 | | | 476,307 |
| Data Processing Services | 1,404 | | | 1,404 |
| Other General Administration | 746,241 | | | 746,241 |
| Plant Services | 554,614 | | 18,996 | 573,610 |
| Facilities Acquisition and Construction | 28,231 | 284,832 | | 313,063 |
| Ancillary Services | 7,708 | | 3,812 | 11,520 |
| Community Services | | | 256,019 | 256,019 |
| Other Outgo | | | 3,102 | 3,102 |
| Debt Service: Principal Retirement | | | 125,000 | 125,000 |
| Debt Service: Interest and Issuance Costs | | | 251,729 | 251,729 |
| Total Expenditures | 9,632,193 | 284,832 | 748,504 | 10,665,529 |
| Excess of Revenues Over (Under) Expenditures | 1,038,351 | (282,189) | (279,695) | 476,467 |
| ***Other Financing Sources (Uses)*** | | | | |
| Operating Transfers In | | 1,700,000 | 190,942 | 1,890,942 |
| Operating Transfers Out | (1,890,942) | | | (1,890,942) |
| Total Other Financing Sources (Uses) | (1,890,942) | 1,700,000 | 190,942 | 0 |
| Net Change in Fund Balances | (852,591) | 1,417,811 | (88,753) | 476,467 |
| Fund Balances - July 1, 2020 | 10,649,678 | 379,070 | 722,203 | 11,750,951 |
| Fund Balances - June 30, 2021 | $ 9,797,087 | $ 1,796,881 | $ 633,450 | $ 12,227,418 |

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, 2021

| | | |
|---|---|---|
| **Net Change in Fund Balances - Governmental Funds** | | $ 476,467 |
| 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 | $ 294,857 | |
| Depreciation Expense | (422,119) | |
| Net | | (127,262) |
| 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: | | (13,428) |
| 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: | | 16,077 |
| 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: | | (920,890) |
| 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: | | 135,050 |
| 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 difference in accrued interest on outstanding long-term liabilities during the year was: | | 5,447 |
| **Change in Net Position of Governmental Activities** | | $ (428,539) |

## 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 of 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. Implementation of New Accounting Pronouncements

In January 2017, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 84 (GASB 84), *Fiduciary Activities,* with required implementation for the District during the fiscal year ended June 30, 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exits. The effect on the beginning net position and fund balance that resulted from implementing GASB 84 is presented in Note 16.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

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.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

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. “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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

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.

E. 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 funds are organized into major and non-major fund, as follows:

Major Governmental Funds:

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

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

Non-major Governmental Funds:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

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 *Student Activity Fund* is to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

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).

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

F. 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 57.

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.

G. 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

I. 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Capital Assets (Concluded)

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

| Asset Class | Years |
|---|---|
| Sites and Improvements | 20 |
| Buildings and Improvements | 7-50 |
| Furniture and Equipment | 8-15 |

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.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balances (Concluded)

*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).

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2021:

| | | |
|---|---|---|
| Cash on Hand and in Banks | $ | 5,734 |
| Cash in Revolving Funds | | 1,000 |
| County Pool Investments | | 10,591,254 |
| Total | $ | 10,597,988 |

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 Funds

Cash in revolving funds 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

## General Authorization

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

| 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 | Value | Value | Days to Maturity |
|---|---|---|---|
| County Pool Investments | $ 10,591,254 | $ 10,588,077 | 749 |

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, 2021, 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

The District's fair value measurements are as follows at June 30, 2021:

| Investment Type | Fair Value | Uncategorized |
|---|---|---|
| County Pool Investments | $ 10,588,077 | $ 10,588,077 |

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

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2021, consist of the following:

| | General Fund | Non-Major Governmental Funds | Totals |
|---|---|---|---|
| Federal Government | $ 213,250 | $ 1,803 | $ 215,053 |
| State Government | 2,314,157 | 115 | 2,314,272 |
| Local Governments | 67,333 | | 67,333 |
| Miscellaneous | 2,479 | 8,624 | 11,103 |
| Totals | $ 2,597,219 | $ 10,542 | $ 2,607,761 |

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.

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

A. Due From / Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2021 were as follows:

| Funds | Interfund Receivables | Interfund Payables |
|---|---|---|
| General | | $ 1,744,840 |
| Capital Projects - Special Reserve | $ 1,700,000 | |
| Deferred Maintenance | 44,678 | |
| Cafeteria | 162 | |
| Totals | $ 1,744,840 | $ 1,744,840 |

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2020-21 were as follows:

| Funds | Transfers In | Transfers Out |
|---|---|---|
| General | | $ 1,890,942 |
| Capital Project- Special Reserve | $ 1,700,000 | |
| Deferred Maintenance | 25,171 | |
| Cafeteria | 47,395 | |
| Child Development | 118,376 | |
| Totals | $ 1,890,942 | $ 1,890,942 |

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

Transfer of $47,395 from the General Fund to the Cafeteria Fund to supplement the child nutrition program.

Transfer of $1,700,00 from the General Fund to the Capital Projects - Special Reserve Fund for construction projects.

Transfer of $118,376 from the General Fund to the Child Development to supplement the program due to the loss of revenue due to the pandemic.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2021, is shown below:

| | Balances July 1, 2020 | Additions | Deletions | Balances June 30, 2021 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 149,717 | | | $ 149,717 |
| Construction-in-Progress | 10,522 | $ 256,928 | | 267,450 |
| Total Capital Assets Not Being Depreciated | 160,239 | 256,928 | $ 0 | 417,167 |
| Capital Assets Being Depreciated: | | | | |
| Sites and Improvements | 1,365,065 | | | 1,365,065 |
| Buildings and Improvements | 21,281,156 | 37,929 | | 21,319,085 |
| Furniture and Equipment | 219,951 | | | 219,951 |
| Total Capital Assets Being Depreciated | 22,866,172 | 37,929 | 0 | 22,904,101 |
| Less Accumulated Depreciation: | | | | |
| Sites and Improvements | 1,194,926 | 12,998 | | 1,207,924 |
| Buildings and Improvements | 5,273,918 | 396,033 | | 5,669,951 |
| Furniture and Equipment | 102,188 | 13,088 | | 115,276 |
| Total Accumulated Depreciation | 6,571,032 | 422,119 | 0 | 6,993,151 |
| Total Capital Assets Being Depreciated, Net | 16,295,140 | (384,190) | 0 | 15,910,950 |
| Governmental Activities Capital Assets, Net | $ 16,455,379 | $ (127,262) | $ 0 | $ 16,328,117 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction | $ 305,437 |
| Instruction-Related Services | 29,992 |
| Pupil Services | 27,314 |
| General Administration | 32,791 |
| Plant Services | 26,585 |
| Total | $ 422,119 |

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.

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

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, 2021, excluding $211,881 of unamortized bond premiums, is as follows:

Current Interest Bonds

| Year of Issue | Interest Rate % | Year of Maturity | Amount of Original Issue | Outstanding July 1, 2020 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2021 |
|---|---|---|---|---|---|---|---|
| 2012 | 3.2 | 2024 | $ 1,105,000 | $ 437,000 | | $ 105,000 | $ 332,000 |
| 2013 | 2.00-4.00 | 2044 | 3,000,000 | 2,660,000 | | 20,000 | 2,640,000 |
| 2015 | 2.00-5.00 | 2043 | 3,000,000 | 2,930,000 | | | 2,930,000 |
| Totals | | | $ 7,105,000 | $ 6,027,000 | $ 0 | $ 125,000 | $ 5,902,000 |

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2021, is as follows:

| Year Ended June 30 | Principal | Interest | Totals |
|---|---|---|---|
| 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 | 90,000 | 228,150 | 318,150 |
| 2027-2031 | 695,000 | 1,083,763 | 1,778,763 |
| 2032-2036 | 1,260,000 | 900,387 | 2,160,387 |
| 2037-2041 | 2,080,000 | 527,875 | 2,607,875 |
| 2042-2046 | 1,230,000 | 66,675 | 1,296,675 |
| Totals | $ 5,902,000 | $ 3,758,871 | $ 9,660,871 |

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District's defined benefit plan, 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:

| | Certificated | Retired Superintendent |
|---|---|---|
| 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.

*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 $895,020 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

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

*Actuarial Assumptions*

The total OPEB liability was determined using the following actuarial methods, assumptions, and other inputs, applied to all periods unless otherwise specified:

| | |
|---|---|
| Measurement Date | June 30, 2019 to June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Inflation | 2.63% |
| Salary Increases | 2.25% |
| Discount Rate | 2.20%, 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.

*Changes in Total OPEB Liability*

| | Total OPEB Liability |
|---|---|
| Balance at Beginning of Year | $ 690,439 |
| Changes for the year: | |
| Service Cost | 67,440 |
| Interest on Total OPEB Liability | 25,258 |
| Changes in Assumptions or Other Inputs | 116,883 |
| Benefit Payments | (5,000) |
| Net Changes | 204,581 |
| Balance at End of Year | $ 895,020 |

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 2.20%, 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 (1.20%) or one percentage point higher (3.20%) than the current rate:

| | Discount Rate 1% Decrease | Discount Rate Current Rate | Discount Rate 1% Increase |
|---|---|---|---|
| District's Total OPEB Liability | $ 978,795 | $ 895,020 | $ 802,615 |

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

*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 | $ 746,072 | $ 895,020 | $ 1,086,049 |

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

For the year ended June 30, 2021, the District recognized OPEB expense of $92,698. At June 30, 2021, 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 | | $ 1,675,567 |
| Changes of assumptions or other inputs | 110,731 | 77,272 |
| Totals | $ 115,731 | $ 1,752,839 |

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, 2022. 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 during fiscal year 2018-19 and 19 years during fiscal year 2020-21 and recognized in OPEB expense as follows:

| Year Ended June 30 | |
|---|---|
| 2022 | $ (103,775) |
| 2023 | (103,775) |
| 2024 | (103,775) |
| 2025 | (103,775) |
| 2026 | (103,775) |
| Thereafter | (1,123,233) |

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).

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

| Pension Plan | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 7,705,509 | $ 2,866,495 | $ 442,889 | $ 1,703,685 |
| CalPERS | 2,389,562 | 913,031 | 0 | 668,808 |
| Totals | $ 10,095,071 | $ 3,779,526 | $ 442,889 | $ 2,372,493 |

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.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

*Benefits Provided (Concluded)*

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.

The STRP Defined Benefit Program has two benefit structures:

- 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.

There are several differences between the two benefit structures and some of the differences are noted below.

*CalSTRS 2% at 60*

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% 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.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

*Benefits Provided / CalSTRS 2% at 62 (Concluded)*

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 the Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established by the CalSTRS Funding Plan, which was enacted with AB 1469 in June 2014. Current contribution rates have also been adjusted pursuant to SB 90 (June 2019) and AB 84 (June 2020). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

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 2020-21. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2020-21.

Employers: The employer contribution rate was 16.15% of applicable member earnings for fiscal year 2020-21. This rate reflects a 2.95% reduction of the employer contribution rate for fiscal year 2020-21 pursuant to SB 90 and AB 84, than is required by the CalSTRS Funding Plan. The District contributed $737,794 to the plan for the fiscal year ended June 30, 2021.

State: The contribution is calculated based on creditable compensation from two fiscal years prior. The base rate is 2.017%. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The appropriation for these additional contributions is specified in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-46. Pursuant to AB 84, the state contribution rate will remain at 5.811% for fiscal year 2020-21. 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, 2021. This rate does not include the impacts of supplemental state contributions 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, 2021, 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:

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)*

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 7,705,509 |
| State's proportionate share of the net pension liability associated with the District | 3,972,191 |
| Total net pension liability attributed to District | $ 11,677,700 |

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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. The District's proportionate share of the net pension liability as of June 30, 2020 and June 30, 2019 was as follows:

| | |
|---|---|
| Proportion - June 30, 2020 | 0.0080% |
| Proportion - June 30, 2019 | 0.0072% |
| Change - Increase (Decrease) | 0.0008% |

For the fiscal year ended June 30, 2021, the District recognized pension expense of $1,703,685, which includes $449,529 of support provided by the State. At June 30, 2021, 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 | $ 737,794 | |
| Differences between expected and actual experience | 10,809 | $ 198,084 |
| Changes of assumptions | 611,532 | |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 1,278,445 | 244,805 |
| Net differences between projected and actual earnings on plan investments | 227,915 | |
| Totals | $ 2,866,495 | $ 442,889 |

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)*

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, 2022. 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 | |
|---|---|
| 2022 | $ 292,109 |
| 2023 | 528,312 |
| 2024 | 423,369 |
| 2025 | 276,489 |
| 2026 | 84,345 |
| 2027 | 81,188 |

Other than differences between projected and actual earnings on plan investments, deferred outflows and inflows of resources are amortized using a straight-line method over a closed period equal to the average of the expected remaining service lives of all plan members who are provided with pensions through CalSTRS (active and inactive), which is 7 years as of the beginning of the measurement period. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

*Actuarial Methods and Assumptions*

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability include:

| | |
|---|---|
| Valuation Date | June 30, 2019 |
| Experience Study | July 1, 2015 through June 30, 2018 |
| 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)<br>Maintain 85% purchasing power level for DB |

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

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

*Actuarial Methods and Assumptions (Concluded)*

On January 31, 2020, the board adopted new actuarial assumptions for use in the funding actuarial valuation of the defined benefit plan. The new assumptions were reflected in the 2019 actuarial valuation. For full details on changes to the assumptions, see the CalSTRS 2020 Experience Analysis report available on the CalSTRS website.

The sections that follow provide additional discussion on key assumptions and methods for the valuation of the STRP.

*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 of 7.10% and assume 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.

The long-term investment rate of return assumption 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 investment staff and investment consultants as an input to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

*Discount Rate (Concluded)*

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Public Equity | 42% | 4.80% |
| Real Estate | 15% | 3.60% |
| Private Equity | 13% | 6.30% |
| Fixed Income | 12% | 1.30% |
| Risk Mitigating Strategies | 10% | 1.80% |
| Inflation Sensitive | 6% | 3.30% |
| Cash / Liquidity | 2% | -0.40% |
| Total | 100% | |

* 20-year average

*Mortality*

CalSTRS uses a generational mortality assumption, which involves the use of a base morality 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-2019) table, issued by the Society of Actuaries.

*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 | $ 11,641,951 | $ 7,705,509 | $ 4,455,422 |

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

*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, 2020.

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.

*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, 2021 was 20.70% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2021 was $269,903.

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*

As of June 30, 2021, the District reported a liability of $2,389,562, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2020 and June 30, 2019 was as follows:

| | |
|---|---|
| Proportion - June 30, 2020 | 0.0078% |
| Proportion - June 30, 2019 | 0.0052% |
| Change - Increase (Decrease) | 0.0026% |

For the fiscal year ended June 30, 2021, the District recognized pension expense of $668,808. At June 30, 2021, 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 | $ 269,903 | |
| Differences between expected and actual experience | 86,013 | |
| Changes of assumptions | 5,586 | |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 484,841 | |
| Net differences between projected and actual earnings on plan investments | 66,688 | |
| Totals | $ 913,031 | $ 0 |

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)*

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, 2022. 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 | |
|---|---|
| 2022 | $ 228,039 |
| 2023 | 208,478 |
| 2024 | 183,717 |
| 2025 | 22,894 |

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, 2020. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

*Actuarial Assumptions*

The total pension liability in the June 30, 2019 actuarial valuations were determined using the following actuarial methods and assumptions

| | |
|---|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| 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

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

*Actuarial Assumptions (Concluded)*

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.

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 and forecasted information for 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.

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

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

*Discount Rate (Concluded)*

| Asset Class (1) | Assumed Asset Allocation | Real Return Years 1 - 10 (2) | Real Return Years 11+ (3) |
|---|---|---|---|
| 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 | 100% | | |

(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:

| | 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 | $ 3,435,432 | $ 2,389,562 | $ 1,521,543 |

*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, 2021, is shown below:

| | Balances July 1, 2020 | Additions | Deductions | Balances June 30, 2021 | Due within One Year |
|---|---|---|---|---|---|
| Long-Term Debt: | | | | | |
| General Obligation Bonds | $ 6,248,931 | | $ 135,050 | $ 6,113,881 | $ 153,050 |
| Other Long-Term Liabilities: | | | | | |
| Compensated Absences | 29,026 | $ 42,454 | 29,026 | 42,454 | 42,454 |
| Total OPEB Liability | 690,439 | 209,581 | 5,000 | 895,020 | |
| Net Pension Liability | 8,060,961 | 2,034,110 | | 10,095,071 | |
| Totals | $ 15,029,357 | $ 2,286,145 | $ 169,076 | $ 17,146,426 | $ 195,504 |

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.

NOTE 11 - FUND BALANCES

The District’s fund balances at June 30, 2021 consisted of the following:

| | General Fund | Capital Projects - Special Reserve Fund | Non-Major Governmental Funds | Totals |
|---|---|---|---|---|
| Nonspendable: | | | | |
| Revolving Cash | $ 1,000 | | | $ 1,000 |
| Prepaid Expenditures | 2,270 | | | 2,270 |
| Total Nonspendable | 3,270 | | | 3,270 |
| Restricted: | | | | |
| Categorical Programs | 974,538 | | | 974,538 |
| Food Services Program | | | $ 1,965 | 1,965 |
| Student Body | | | 5,734 | 5,734 |
| Debt Service | | | 412,889 | 412,889 |
| Capital Projects | | | 161,255 | 161,255 |
| Total Restricted | 974,538 | | 581,843 | 1,556,381 |
| Assigned: | | | | |
| Other Assignments | 3,065,104 | $ 1,796,881 | 51,607 | 4,913,592 |
| Unassigned: | | | | |
| Economic Uncertainties | 953,173 | | | 953,173 |
| Unassigned Balance | 4,801,002 | | | 4,801,002 |
| Total Unassigned | 5,754,175 | | | 5,754,175 |
| Totals | $ 9,797,087 | $ 1,796,881 | $ 633,450 | $ 12,227,418 |

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 $449,529 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

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 2020-21, 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 - RESTATEMENT OF NET POSITION / FUND BALANCE

During fiscal year 2020-21, the District implemented Governmental Accounting Standards Board Statement No. 84 (GASB 84), as discussed in Note 1B. As a result, the District's student body activities, reported as fiduciary activities in the prior year's audit report, have been reclassified as governmental activities. The beginning net position and fund balance of the District have been restated to reflect this reclassification.

The effects of the restatements on the current year financial statements are as follows:

| | Statement of Activities |
|---|---|
| Net Position - July 1, 2020 (as originally stated) | $ 13,426,418 |
| Reclassification of Fund Balance | 8,929 |
| Net Position - July 1, 2020 (as restated) | $ 13,435,347 |

| | Student Activity Fund |
|---|---|
| Fund Balance - July 1, 2020 (as originally stated) | $ 0 |
| Reclassification of Fund Balance | 8,929 |
| Fund Balance - July 1, 2020 (as restated) | $ 8,929 |

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 28, 2021, 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, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|---|---|---|---|
| ***Revenues*** | | | | |
| LCFF Sources: | | | | |
| State Apportionment / Transfers | $ 4,403,864 | $ 3,499,757 | $ 5,568,002 | $ 2,068,245 |
| Local Sources | 3,211,226 | 3,273,726 | 3,365,389 | 91,663 |
| Total LCFF Sources | 7,615,090 | 6,773,483 | 8,933,391 | 2,159,908 |
| Federal Revenue | 135,220 | 456,157 | 442,145 | (14,012) |
| Other State Revenue | 532,147 | 854,040 | 968,704 | 114,664 |
| Other Local Revenue | 382,090 | 354,640 | 326,304 | (28,336) |
| Total Revenues | 8,664,547 | 8,438,320 | 10,670,544 | 2,232,224 |
| ***Expenditures*** | | | | |
| Current: | | | | |
| Certificated Salaries | 4,584,137 | 4,733,014 | 4,632,448 | 100,566 |
| Classified Salaries | 1,228,022 | 1,286,652 | 1,223,246 | 63,406 |
| Employee Benefits | 2,222,302 | 2,417,289 | 2,336,253 | 81,036 |
| Books and Supplies | 352,329 | 738,286 | 546,710 | 191,576 |
| Services and Other Operating Expenditures | 826,281 | 1,168,187 | 865,305 | 302,882 |
| Capital Outlay | 39,400 | 42,332 | 28,231 | 14,101 |
| Total Expenditures | 9,252,471 | 10,385,760 | 9,632,193 | 753,567 |
| Excess of Revenues Over (Under) Expenditures | (587,924) | (1,947,440) | 1,038,351 | 2,985,791 |
| ***Other Financing (Uses)*** | | | | |
| Operating Transfers Out | (44,937) | (2,188,537) | (1,890,942) | 297,595 |
| Net Change in Fund Balances | (632,861) | (4,135,977) | (852,591) | $ 3,283,386 |
| Fund Balances - July 1, 2020 | 10,649,678 | 10,649,678 | 10,649,678 | |
| Fund Balances - June 30, 2021 | $ 10,016,817 | $ 6,513,701 | $ 9,797,087 | |

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

## GRAVENSTEIN UNION SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

## JUNE 30, 2021

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total OPEB Liability** | | | | |
| Service Cost | $ 67,440 | $ 240,793 | $ 233,780 | $ 226,972 |
| Interest on Total OPEB Liability | 25,258 | 74,213 | 64,744 | 56,501 |
| Differences Between Expected and Actual Experience | | (1,872,693) | | |
| Changes in Assumptions or Other Inputs | 116,883 | | (111,364) | |
| Benefit Payments | (5,000) | (5,000) | (5,000) | (25,350) |
| **Net Change in Total OPEB Liability** | 204,581 | (1,562,687) | 182,160 | 258,123 |
| **Total OPEB Liability - Beginning** | 690,439 | 2,253,126 | 2,070,966 | 1,812,843 |
| **Total OPEB Liability - Ending** | $ 895,020 | $ 690,439 | $ 2,253,126 | $ 2,070,966 |
| **Covered-employee Payroll** | $ 3,100,701 | $ 3,032,470 | $ 3,505,475 | $ 3,352,170 |
| **District's Total OPEB Liability as a % of Covered-employee Payroll** | 28.87% | 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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

## GRAVENSTEIN UNION SCHOOL DISTRICT

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

## JUNE 30, 2021

| Year Ended June 30 | District's Proportion of the NPL | District's Proportionate Share of the NPL | State's Proportionate Share of the NPL Associated to District | Total NPL Attributed to District | District's Covered Payroll | District's Proportionate Share of the NPL as a % of Covered Payroll | Plan Fiduciary Net Position As a % of Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2021 | 0.0080% | $ 7,705,509 | $ 3,972,191 | $ 11,677,700 | $ 4,308,175 | 178.86% | 71.82% |
| 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, 2021

| Year Ended June 30 | District's Proportion of the NPL | District's Proportionate Share of the NPL | District's Covered Payroll | District's Proportionate Share of the NPL as a % of Covered Payroll | Plan Fiduciary Net Position As a % of Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 0.0078% | $ 2,389,562 | $ 1,121,814 | 213.01% | 70.00% |
| 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, 2021

| 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 |
|---|---|---|---|---|---|
| 2021 | $ 737,794 | $ 737,794 | $ 0 | 4,568,384 | 16.15% |
| 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, 2021**

| 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 |
|---|---|---|---|---|---|
| 2021 | $ 269,903 | $ 269,903 | $ 0 | $ 1,303,879 | 20.700% |
| 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.

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, 2021.

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.

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 3.50% at June 30, 2019 to 2.20% at June 30, 2020.

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

On January 31, 2020, the CalSTRS board adopted new actuarial assumptions for use in the funding actuarial valuations of the defined benefit program. The new assumptions were reflected in the 2019 actuarial valuation. For full details on changes to the assumptions, see the CalSTRS 2020 Experience Analysis report available on the CalSTRS website.

There were no changes in assumptions since the previous valuation for CalPERS.

SUPPLEMENTARY INFORMATION SECTION

**GRAVENSTEIN UNION SCHOOL DISTRICT**

**ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

---

## 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

| Name | Office | Term Expires |
|---|---|---|
| Gregory Appling | President | December 2022 |
| Jennifer Koelemeijer | Clerk | December 2022 |
| Jeri McNeill | Member | December 2024 |
| Alexander Kahn | Member | December 2024 |
| Patrick Lei | Member | December 2022 |

## ADMINISTRATION

Dave Rose
Superintendent

Katie Anderson
Chief Business Officer

## GRAVENSTEIN UNION SCHOOL DISTRICT
## COMBINING BALANCE SHEET
## NON-MAJOR GOVERNMENTAL FUNDS
## JUNE 30, 2021

| | Deferred Maintenance | Cafeteria | Child Development |
|---|---|---|---|
| ***Assets*** | | | |
| Deposits and Investments | $ 18,815 | $ 1,565 | $ 413 |
| Receivables | | 1,928 | 2,862 |
| Due from Other Funds | 44,678 | 162 | |
| Total Assets | $ 63,493 | $ 3,655 | $ 3,275 |
| ***Liabilities and Fund Balances*** | | | |
| Liabilities: | | | |
| Accounts Payable | $ 14,996 | $ 1,690 | $ 172 |
| Fund Balances: | | | |
| Restricted | | 1,965 | |
| Assigned | 48,497 | | 3,103 |
| Total Fund Balances | 48,497 | 1,965 | 3,103 |
| Total Liabilities and Fund Balances | $ 63,493 | $ 3,655 | $ 3,275 |

SEE NOTES TO SUPPLEMENTARY INFORMATION

| Student Activity | Bond Interest and Redemption | Capital Facilities | County School Facilities | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| $ 5,734 | $ 412,889 | $ 155,503 | $ 7 | $ 594,926 |
| | | 5,752 | | 10,542 |
| | | | | 44,840 |
| $ 5,734 | $ 412,889 | $ 161,255 | $ 7 | $ 650,308 |
| | | | | $ 16,858 |
| $ 5,734 | $ 412,889 | $ 161,255 | | 581,843 |
| | | | $ 7 | 51,607 |
| 5,734 | 412,889 | 161,255 | 7 | 633,450 |
| $ 5,734 | $ 412,889 | $ 161,255 | $ 7 | $ 650,308 |

**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, 2021**

| | Deferred Maintenance | Cafeteria | Child Development |
|---|---|---|---|
| ***Revenues*** | | | |
| LCFF Sources: | | | |
| State Apportionment / Transfers | $ 19,507 | | |
| Federal Revenue | | $ 37,467 | |
| State Revenue | | 1,001 | $ 1,421 |
| Local Revenue | 161 | 1,533 | (172) |
| Total Revenues | 19,668 | 40,001 | 1,249 |
| ***Expenditures*** | | | |
| Current: | | | |
| Food Services | | 89,846 | |
| Plant Services | 18,996 | | |
| Ancillary Services | | | |
| Community Services | | | 256,019 |
| Other Outgo | | | |
| Debt Service: | | | |
| Principal Retirement | | | |
| Interest and Issuance Costs | | | |
| Total Expenditures | 18,996 | 89,846 | 256,019 |
| Excess of Revenues Over (Under) Expenditures | 672 | (49,845) | (254,770) |
| ***Other Financing Sources*** | | | |
| Operating Transfers In | 25,171 | 47,395 | 118,376 |
| Net Change in Fund Balances | 25,843 | (2,450) | (136,394) |
| Fund Balances - July 1, 2020 (As Restated - Note 16) | 22,654 | 4,415 | 139,497 |
| Fund Balances - June 30, 2021 | $ 48,497 | $ 1,965 | $ 3,103 |

SEE NOTES TO SUPPLEMENTARY INFORMATION

| Student Activity | Bond Interest and Redemption | Capital Facilities | County School Facilities | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| | | | | $ 19,507 |
| | | | | 37,467 |
| | $ 2,865 | | | 5,287 |
| $ 617 | 383,045 | $ 21,364 | | 406,548 |
| 617 | 385,910 | 21,364 | | 468,809 |
| | | | | 89,846 |
| | | | | 18,996 |
| 3,812 | | | | 3,812 |
| | | | | 256,019 |
| | | 3,102 | | 3,102 |
| | 125,000 | | | 125,000 |
| | 251,729 | | | 251,729 |
| 3,812 | 376,729 | 3,102 | | 748,504 |
| (3,195) | 9,181 | 18,262 | | (279,695) |
| | | | | 190,942 |
| (3,195) | 9,181 | 18,262 | | (88,753) |
| 8,929 | 403,708 | 142,993 | $ 7 | 722,203 |
| $ 5,734 | $ 412,889 | $ 161,255 | $ 7 | $ 633,450 |

## GRAVENSTEIN UNION SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | | Instructional Days | | | | |
|---|---|---|---|---|---|---|
| **Grade Level** | **Minimum School Day** | **Actual Days** | **J-13A Credited Days** | **Total Days** | **Number of Instructional Days Required** | **Status** |
| Grade 1 | 230 minutes | 180 | 0 | 180 | 180 | In Compliance |

SEE NOTES TO SUPPLEMENTARY INFORMATION

## GRAVENSTEIN UNION SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOLS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | | Instructional Days | | | Number of | |
|---|---|---|---|---|---|---|
| Grade Level | Minimum School Day | Actual Days | J-13A Credited Days | Total Days | Instructional Days Required | Status |
| **Gravenstein Elementary** | | | | | | |
| Kindergarten | 180 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 1 | 230 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 2 | 230 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 3 | 230 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 4 | 240 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 5 | 240 minutes | 180 | 0 | 180 | 175 | In Compliance |
| **Hillcrest Middle** | | | | | | |
| Grade 6 | 240 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 7 | 240 minutes | 180 | 0 | 180 | 175 | In Compliance |
| Grade 8 | 240 minutes | 180 | 0 | 180 | 175 | In Compliance |

## GRAVENSTEIN UNION SCHOOL DISTRICT
## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
## WITH AUDITED FINANCIAL STATEMENTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | General Fund | Special Revenue - Special Reserve Fund | Special Reserve For Post-Employment Benefits Fund | Cafeteria Fund | Child Development Fund | Student Activity Fund | Capital Facilities Fund |
|---|---|---|---|---|---|---|---|
| June 30, 2021 Annual Financial and Budget Report Fund Balances | $ 8,680,165 | $ 541,013 | $ 855,104 | $ 218 | $ 413 | $ 0 | $ 155,503 |
| Reclassifications and Adjustments Increasing Decreasing Fund Balances: | | | | | | | |
| Understatement of Cash in Banks | | | | | | 8,929 | |
| Understatement of Federal Revenues | | | | 1,803 | | | |
| (Overstatement) Understatement of State Revenues | (279,195) | | | 115 | | | |
| Understatement of Local Revenues | | | | 10 | 2,862 | 617 | 5,752 |
| Understatement of Books and Supplies Expenditures | | | | | | (3,812) | |
| Understatement of Contract Services Expenditures | | | | (181) | (172) | | |
| Reclassifications of Fund Balances | 1,396,117 | (541,013) | (855,104) | | | | |
| Net Adjustments and Reclassifications Increasing (Decreasing) Fund Balances | 1,116,922 | (541,013) | (855,104) | 1,747 | 2,690 | 5,734 | 5,752 |
| June 30, 2021 Audited Financial Statements Fund Balances | $ 9,797,087 | $ 0 | $ 0 | $ 1,965 | $ 3,103 | $ 5,734 | $ 161,255 |

Auditor's Comments

The fund balances of the General Fund, Special Revenue - Special Reserve Fund and Special Reserve for Postemployment 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, 2021.

## GRAVENSTEIN UNION SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | GENERAL FUND | | | |
|---|---|---|---|---|
| | (Budget) 2021-22 | 2020-21 | 2019-20 | 2018-19 |
| Revenues and Other Financial Sources | $ 8,785,626 | $ 10,670,544 | $ 10,207,964 | $ 10,339,491 |
| Expenditures | 9,975,602 | 9,632,193 | 9,555,869 | 8,811,907 |
| Other Uses and Transfers Out | 179,089 | 1,890,942 | 44,937 | 960,004 |
| Total Outgo | 10,154,691 | 11,523,135 | 9,600,806 | 9,771,911 |
| Change in Fund Balance | (1,369,065) | (852,591) | 607,158 | 567,580 |
| Ending Fund Balance | $ 8,428,022 | $ 9,797,087 | $ 10,649,678 | $ 10,042,520 |
| Available Reserves | $ 3,774,192 | $ 5,754,175 | $ 5,125,129 | $ 3,509,350 |
| Reserve for Economic Uncertainties * | $ 547,013 | $ 953,173 | $ 981,118 | $ 431,643 |
| Available Reserves as a Percentage of Total Outgo | 37.2% | 49.9% | 53.4% | 35.9% |
| Total Long-Term Liabilities | $ 16,950,922 | $ 17,146,426 | $ 15,029,357 | $ 16,483,463 |
| Average Daily Attendance at P-2 (Inclusive of Charter Schools) | 740 | N/A | 736 | 719 |

* Reported balances are a component of available reserves.

The fund balance of the General Fund decreased $245,433 (2%) over the past two years. The fiscal year 2021-22 budget projects a decrease of $1,369,065. 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 of $607,158 and $567,580 during fiscal years 2019-20 and 2018-19, respectively, and incurred an operating deficit of $852,591 during fiscal year 2020-21.

Total long-term liabilities increased $662,963 over the past two years.

The District was not required to report average daily attendance (ADA) in fiscal year 2020-21. The District Projects 740 ADA in fiscal year 2021-22.

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| Charter School | Charter Number | District Audit |
|---|---|---|
| Gravenstein Elementary Charter School | 1445 | Included |
| Hillcrest Middle Charter School | 1444 | Included |

SEE NOTES TO SUPPLEMENTARY INFORMATION

## 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 Instructional Time

This schedule presents information on the total number of instructional days offered that meet the minimum school day length requirements in accordance with Education Code Sections 43501 and 43502(c) and whether the District complied with the instructional days per school year standards set forth in Education Code Section 46208.

### C. Schedule of Instructional Time - Charter Schools

This schedule presents information on the total number of instructional days offered by the District's charter schools that meet the minimum school day length requirements in accordance with Education Code Sections 43501 and 43502(c) and whether the District's charter schools complied with the instructional days per school year standards set forth in Section 11960 of Title 5 of the California Code of Regulations.

### D. 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.

### E. 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.

### F. 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

## 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, each major fund, and the remaining fund information of the Gravenstein Union School District, as of and for the year ended June 30, 2021, 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 28, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weaknesses, as noted in **Finding 2021-001**.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, as noted in **Findings 2021-002** and **2021-003**.



*P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815*

Compliance and Other Matters

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

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 28, 2021

***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 *2020-21 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, 2021.

## 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 *2020-21 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:



*P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815*

| Description | Procedures Performed |
|---|---|
| Local Education Agencies: | |
| Attendance and Distance Learning | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | 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 |
| K-3 Grade Span Adjustment | 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 |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Charter Schools: | |
| Independent Study-Course Based | Yes |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2020-21 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 2021-004**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

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 *2020-21 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 28, 2021

FINDINGS AND QUESTIONED COSTS SECTION

**GRAVENSTEIN UNION SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

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

***State Awards***

| | | |
|---|---|---|
| Any audit findings required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?* | X Yes | ___ No |
| Type of auditor's report issued on compliance for state programs: | Unmodified | |

## SECTION II - FINANCIAL STATEMENT FINDINGS

**2021 - 001 / 30000**

**MATERIAL WEAKNESS**

FINANCIAL REPORTING - UNAUDITED ACTUALS

| | |
|---|---|
| Criteria: | Each year, districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. In addition, each year the governing board certifies that the report was prepared in accordance with Education Code Section 41010, and approves the report as the official submission of financial information that will be used as the basis for the district's annual financial statements. Accordingly, districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement. |
| Condition: | The District's "Unaudited Actuals" included misstatements that we consider to be material to their annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where audit adjustments were required. |
| Questioned Costs: | None. |
| Context: | The adjustments that were made to ensure that the financial statements were fairly stated are presented on page 70 of this report. |
| Effect: | When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis. |
| Cause: | The District did not have effective procedures in place to ensure that the "Unaudited Actuals" were free of material misstatements. |
| Recommendation: | The District should develop a more comprehensive financial reporting checklist, to be used by staff during the year-end closing process, to prevent misstatements from occurring in the future. |
| District Response: | 2020-21 brought the transition of a new CBO to the district with no prior experience preforming closing activities for a district. The material restatements tied to the lack of clearing deposits made are addressed in statement 2021-002/30000. The material restatement tied to Fund 01 is the direct result of changing state requirements in August, days before final closing. Staff is now working directly with a retired CBO on a consulting basis during state required reporting periods to ensure proper accounting procedures are followed. |

## SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2021 - 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 District wrote only one check from the clearing bank account to the County Treasury during 2020-21. The clearing bank account had a balance of $21,390.62 as of June 30, 2021. |
| Questioned Costs: | None. |
| Context: | The condition was noted throughout fiscal year 2020-21. |
| 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: | The 2020-21 school year presented many new challenges which directed energies and focus to the planning an d implementation of Distance Learning. While the Clearing Account did have modest balance, there was substantially less activity than in previous years with the closure of the afterschool daycare program and lunch program. Staff has resumed monthly deposits of the clearing account into the County Treasury. |

## SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

**2021 - 003 / 30000**

**SIGNIFICANT DEFICIENCY**

CONFLICT OF INTEREST FORMS

| | |
|---|---|
| Criteria: | A "Statement of Economic Interests" Form (California Form 700) is required to be submitted to the District by April 1st of each year. For initial statements of elected officials, forms should be submitted within 30 days after assuming office. |
| Conditions: | A recent Form 700 was not available for several Board members. |
| Questioned Cost: | None. |
| Context: | Three of the five Board members did not have a recent Form 700 on file with the District. |
| Effects: | There is no way to identify if potential conflicts of interest exist for the three Board members. |
| Cause: | Despite several requests from the District business office, Board members have not completed and filed Form 700. |
| Recommendation: | The Board members who do not have a recent form on file should be instructed to complete and file Form 700 as soon as possible. |
| District Response: | As noted in the finding, staff reached out to board members multiple times to file the Form 700. Staff will take stronger measures to ensure Board members file their Form 700 in a timely manner in the future. |

## SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2021 - 004 / 72000**

SCHOOL ACCOUNTABILITY REPORT CARD (SARC)

Criteria: Districts are required to make disclosures in the annual school accountability report cards, prepared for each school site, regarding the safety, cleanliness, and adequacy of school facilities, teacher vacancies and misassignments, and the availability of textbooks and instructional materials. Accordingly, all districts should have procedures in place to ensure that the required disclosures are properly included in the school accountability report cards prior to being disseminated to the public.

Conditions: The District does not currently have procedures in place to ensure that the required disclosures are properly reported in the annual school accountability report cards, prior to being disseminated to the public. As a result, we noted instances where required disclosures were either missing or incomplete.

Questioned Costs: None.

Context: The disclosures regarding the total teacher misassignments and vacant teacher positions were left blank for Gravenstein First School in the 2020-21 fiscal year column.

Effect: The public is not adequately being informed about the required disclosures in accordance with state requirements.

Cause: The District has not adequately established procedures to ensure that the required disclosures are properly included in the school accountability report cards, prior to being disseminated to the public.

Recommendation: The District should establish appropriate procedures to ensure that all required disclosures are properly included in all future school accountability report cards, prior to being disseminated to the public.

District Response: Gravenstein First School's enrollment represents roughly 5% of students enrolled in all GUSD schools. While each school's SARC reporting is considered an equal priority, Gravenstein First's SARC reporting was not given the same amount of oversight as the two other main reports. The District will create steps to ensure that each SARC has accurately reported correct information for each school site and is properly reviewed before submission.

**GRAVENSTEIN UNION SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

---

| Recommendations | Current Status | Explanation If Not Fully Implemented |
|---|---|---|
| **FINANCIALS STATEMENTS** | | |
| **2020 - 001 / 30000** | | |
| PAYROLL | | |
| 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. | Implemented | |
| **2020 - 002 / 30000** | | |
| CLEARING BANK ACCOUNT | | |
| 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. | Not Implemented | Comment Repeated **(See 2021 - 002)** |
| **STATE AWARDS** | | |
| **2020 - 003 / 10000** | | |
| ATTENDANCE | | |
| The District should inform all teachers about the importance of accurate attendance reporting. | Implemented | |