

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

AUDIT REPORT

JUNE 30, 2022

GRAVENSTEIN UNION SCHOOL DISTRICT

JUNE 30, 2022

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GRAVENSTEIN UNION SCHOOL DISTRICT

JUNE 30, 2022

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GRAVENSTEIN UNION SCHOOL DISTRICT

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gravenstein Union School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gravenstein Union School District, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gravenstein Union School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gravenstein Union School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gravenstein Union School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gravenstein Union School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of 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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gravenstein Union School District's basic financial statements. The accompanying combining nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, reconciliation of annual financial and budget report with audited financial statements, and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining nonmajor fund financial statements, the schedule of expenditures of federal awards, reconciliation of annual financial and budget report with audited financial statements, and supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 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 12, 2022

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Gravenstein Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 4, 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 15 and 16, 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 17 through 20, 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 improved during the course of the year, as net position increased 22.3%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$2,904,879.
- Net capital assets increased \$2,273,761 due to the current year acquisition and construction of \$2,771,732 of new capital assets and improvements, and the current year recognition of \$497,971 of depreciation expense.
- Total long-term liabilities decreased \$4,439,332 due primarily to the decrease 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 P-2 average daily attendance (ADA) was 712 ADA.
- The District's General Fund incurred an operating deficit of \$253,994 during fiscal year 2021-22.
- 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 2021-22, General Fund total outgo was \$11,691,479. At June 30, 2022, the District had available reserves of \$8,058,694 which represents a reserve of 68.9%.

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

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

Reporting the District as a Whole

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

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

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

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

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

Reporting the District's Most Significant Funds

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

The major governmental funds of the Gravenstein Union School District are the General Fund, County School Facilities 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.

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position increased from \$13,006,808 at June 30, 2021 to \$15,911,687 at June 30, 2022, an increase of 22.3%.

	Governmental Activities	
	2021	2022
<u>Assets</u>		
Deposits and Investments	\$ 10,597,988	\$ 14,041,869
Receivables	2,607,761	887,344
Prepaid Expenses	2,270	21,981
Capital Assets, net	16,328,117	18,601,878
Total Assets	29,536,136	33,553,072
<u>Deferred Outflows of Resources</u>		
OPEB Deferrals	115,731	198,293
Pension Deferrals	3,779,526	3,744,647
Total Deferred Outflows of Resources	3,895,257	3,942,940
<u>Liabilities</u>		
Current	1,277,935	2,899,057
Long-term	16,950,922	12,470,790
Total Liabilities	18,228,857	15,369,847
<u>Deferred Inflows of Resources</u>		
OPEB Deferrals	1,752,839	1,880,583
Pension Deferrals	442,889	4,333,895
Total Deferred Inflows of Resources	2,195,728	6,214,478
<u>Net Position</u>		
Net Investment in Capital Assets	10,214,236	12,641,047
Restricted	1,457,821	2,561,930
Unrestricted	1,334,751	708,710
Total Net Position	\$ 13,006,808	\$ 15,911,687

Table includes financial data of the combined governmental funds

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

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

The District's total current year revenues exceeded total current year expenses by \$2,904,879.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
<u>Program Revenues</u>		
Charges for Services	\$ 21,870	\$ 23,670
Operating Grants & Contributions	1,448,244	2,683,963
Capital Grants & Contributions		2,193,690
<u>General Revenues</u>		
Taxes Levied	3,749,327	3,968,928
Federal & State Aid	5,733,532	5,848,780
Interest & Investment Earnings	92,094	(434,321)
Other Revenues	96,929	326,077
Total Revenues	<u>11,141,996</u>	<u>14,610,787</u>
<u>Expenses</u>		
Instruction	7,967,522	7,778,133
Instruction-Related Services	782,351	761,625
Pupil Services	712,684	971,800
General Administration	855,377	823,083
Plant Services	693,499	805,462
Other Expenses	559,102	565,805
Total Expenses	<u>11,570,535</u>	<u>11,705,908</u>
Changes in Net Position	<u>\$ (428,539)</u>	<u>\$ 2,904,879</u>

Table includes financial data of the combined governmental funds

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

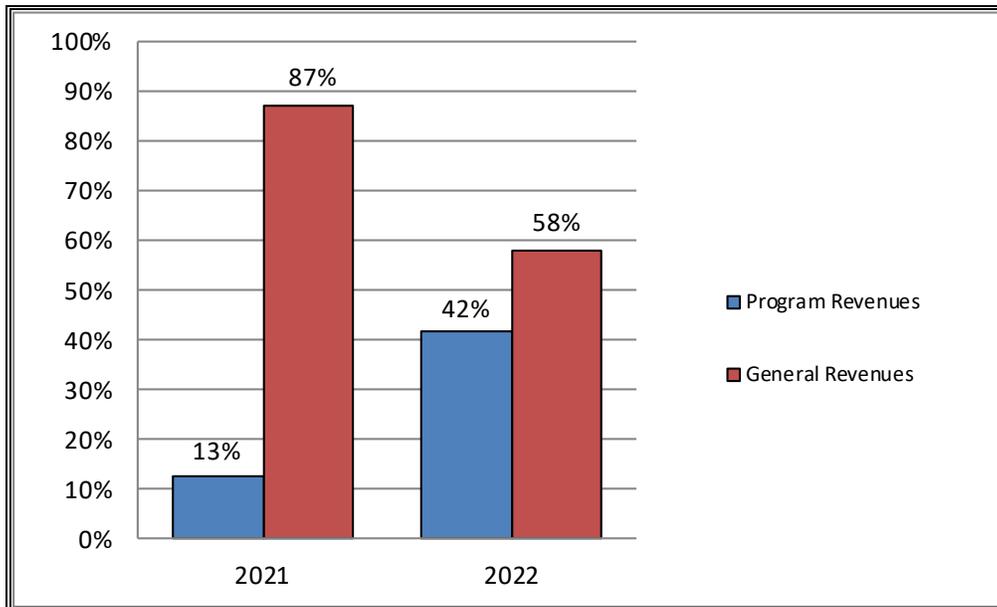
(PREPARED BY DISTRICT MANAGEMENT)

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

<u>Comparative Schedule of Costs of Services</u>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2021	2022	2021	2022
Instruction	\$ 7,967,522	\$ 7,778,133	\$ 6,757,307	\$ 4,254,130
Instruction-Related Services	782,351	761,625	742,158	677,611
Pupil Services	712,684	971,800	538,857	238,593
General Administration	855,377	823,083	835,278	804,336
Plant Services	693,499	805,462	677,349	294,009
Other Expenses	559,102	565,805	549,472	535,906
Totals	\$ 11,570,535	\$ 11,705,908	\$ 10,100,421	\$ 6,804,585

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 \$6,804,585 net cost represents the share of total cost that the District's general revenues provide for the services listed.



For fiscal year 2021-22, program revenues financed 42% of the total cost of providing the services listed above, while the remaining 58% was financed by the general revenues of the District.

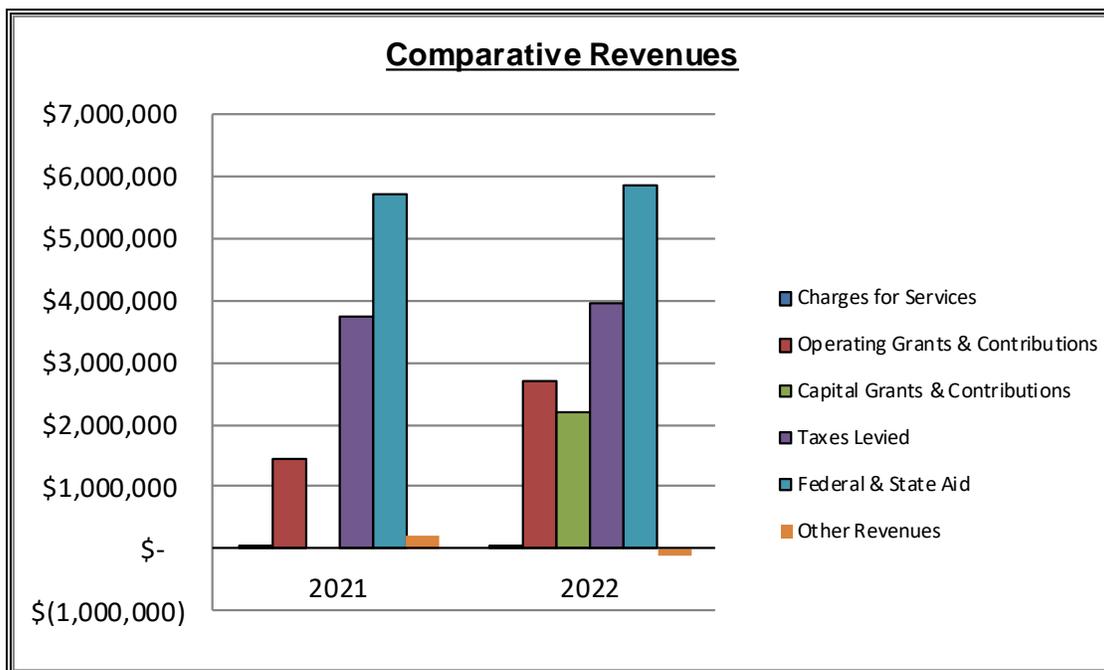
**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

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

Summary of Revenues For Governmental Functions				
	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>	<u>FYE 2022 Amount</u>	<u>Percent of Total</u>
Program Revenues				
Charges for Services	\$ 21,870	0.20%	\$ 23,670	0.16%
Operating Grants & Contributions	1,448,244	13.00%	2,683,963	18.37%
Capital Grants & Contributions			2,193,690	15.01%
General Revenues				
Taxes Levied	3,749,327	33.65%	3,968,928	27.16%
Federal & State Aid	5,733,532	51.46%	5,848,780	40.03%
Other Revenues	189,023	1.70%	(108,244)	-0.74%
Total Revenues	\$ 11,141,996	100.00%	\$ 14,610,787	100.00%

Table includes financial data of the combined governmental funds



**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

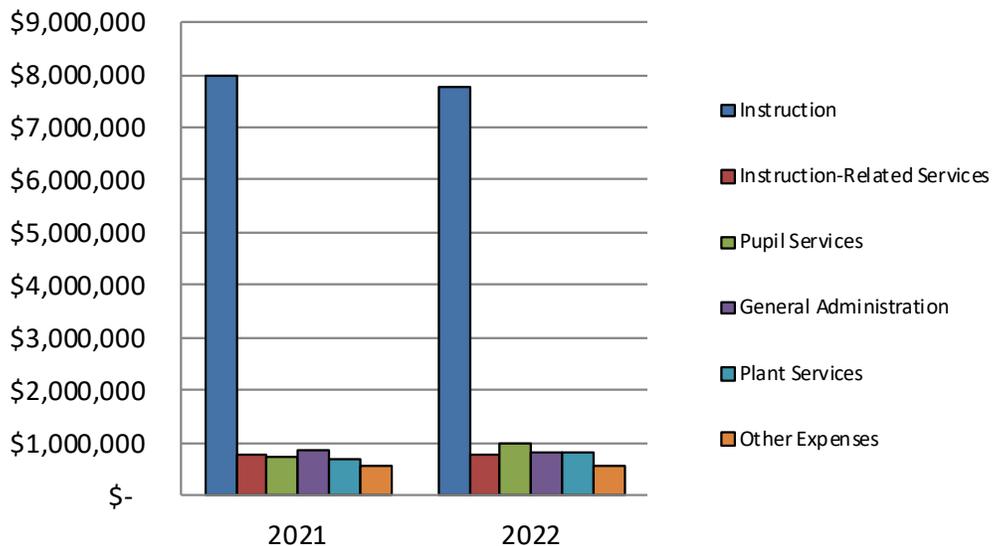
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2021 Amount</u>	<u>Percent of Total</u>	<u>FYE 2022 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 7,967,522	68.86%	\$ 7,778,133	66.45%
Instruction-Related Services	782,351	6.76%	761,625	6.51%
Pupil Services	712,684	6.16%	971,800	8.30%
General Administration	855,377	7.39%	823,083	7.03%
Plant Services	693,499	5.99%	805,462	6.88%
Other Expenses	559,102	4.83%	565,805	4.83%
Total Expenses	\$ 11,570,535	100.00%	\$ 11,705,908	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

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

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2021	2022
Land	\$ 149,717	\$ 149,717
Sites and Improvements	1,365,065	1,365,065
Buildings and Improvements	21,319,085	22,819,231
Furniture and Equipment	219,951	228,405
Construction-in-Progress	267,450	1,530,582
Subtotals	23,321,268	26,093,000
Less: Accumulated Depreciation	(6,993,151)	(7,491,122)
Capital Assets, net	<u>\$ 16,328,117</u>	<u>\$ 18,601,878</u>

Net capital assets increased \$2,273,761 due to the current year acquisition and construction of \$2,771,732 of new capital assets and improvements, and the current year recognition of \$497,971 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2021	2022
Compensated Absences	\$ 42,454	\$ 70,255
General Obligation Bonds	6,113,881	5,960,831
Total OPEB Liability	895,020	824,284
Net Pension Liability	10,095,071	5,851,724
Totals	<u>\$ 17,146,426</u>	<u>\$ 12,707,094</u>

The general obligation bonds are financed by the local taxpayers and represent 47% of the District's total long-term liabilities. 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 \$253,994, the fund balance of the County School Facilities Fund increased \$1,374,904 due to the receipt of school facilities revenues of \$2,188,849, and the combined fund balances of all other District governmental funds decreased \$959,871.

**GRAVENSTEIN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(PREPARED BY DISTRICT MANAGEMENT)

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

During the 2022-23 school year, the District will continue to be impacted by the on-going effects of the COVID-19 health crisis and the remediation programs implemented to assist with the recovery. In addition, State and Local economies have also been severely impacted by COVID-19, which may adversely affect future student enrollment and school funding.

Beginning in 2022-23 school year, all public schools will be required to provide two free meals per school day to all students. The District implemented this mandate in the 2021-22 school year, and is in their second year of providing two free meals per school day to all students.

Education Code section 48000(c) requires any school district operating a kindergarten program to also provide a transitional kindergarten (TK) program for all 4-year-old children by 2025-26. Beginning in 2022-23 school year, children turning five between September 2nd and February 2nd are eligible for TK. The District expanded this time frame to February 28th to accommodate families with multiple students already enrolled with the District. Over the 2022-23 to 2025-26 time frame, TK will be expanded and phased in to increase availability and inclusivity of 4-year-old children living in the District boundaries.

Accordingly, based on the above factors, the District's budget should continue to be managed with a great degree of conservatism over the next five years. Throughout Sonoma County, CTA sponsored bargaining units have enacted very aggressive salary increases. As the District faces increasingly contentious negotiations with both of its bargaining units, fiscal conservatism will need to be monitored in light of projected deficit spending. The broader economic forecast projects mild recessionary pressures in the coming years, coupled with persistent inflation and projected housing price instability. The District has an excellent track record of 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, 725 Bloomfield Road, Sebastopol, CA 95472.

GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
<u>Assets</u>	
Current Assets:	
Deposits and Investments (Note 2)	\$ 14,041,869
Receivables (Note 3)	887,344
Prepaid Expenses (Note 1H)	21,981
Non-Current Assets:	
Capital Assets, Not Depreciated (Note 5)	1,680,299
Capital Assets, Net	16,921,579
Total Assets	33,553,072
<u>Deferred Outflows of Resources</u>	
OPEB Deferrals (Note 7)	198,293
Pension Deferrals (Note 8)	3,744,647
Total Deferred Outflows of Resources	3,942,940
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Other Current Liabilities	2,441,843
Accrued Interest Payable	100,016
Unearned Revenue (Note 1H)	120,894
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	70,255
General Obligation Bonds (Note 6)	166,049
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	5,794,782
Total OPEB Liability (Note 7)	824,284
Net Pension Liabilities (Note 8)	5,851,724
Total Liabilities	15,369,847
<u>Deferred Inflows of Resources</u>	
OPEB Deferrals (Note 7)	1,880,583
Pension Deferrals (Note 8)	4,333,895
Total Deferred Inflows of Resources	6,214,478
<u>Net Position</u>	
Net Investment in Capital Assets	12,641,047
Restricted:	
For Capital Projects	1,540,959
For Debt Service	299,750
For Educational Programs	597,414
For Other Purposes	123,807
Unrestricted	708,710
Total Net Position	\$ 15,911,687

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 7,778,133	\$ 21,248	\$ 1,309,065	\$ 2,193,690	\$ (4,254,130)
Instruction-Related Services:					
Supervision of Instruction	17,135		44,301		27,166
Instructional Library and Technology	50,523				(50,523)
School Site Administration	693,967		39,713		(654,254)
Pupil Services:					
Home-to-School Transportation	89,718		9,046		(80,672)
Food Services	385,264	27	485,851		100,614
Other Pupil Services	496,818	57	238,226		(258,535)
General Administration:					
Data Processing Services	1,470				(1,470)
Other General Administration	821,613		18,747		(802,866)
Plant Services	805,462		511,453		(294,009)
Ancillary Services	57,333	1,885	6,724		(48,724)
Community Services	267,524		15,930		(251,594)
Interest on Long-Term Debt	235,682				(235,682)
Other Outgo	5,266	453	4,907		94
Total Governmental Activities	<u>\$ 11,705,908</u>	<u>\$ 23,670</u>	<u>\$ 2,683,963</u>	<u>\$ 2,193,690</u>	<u>(6,804,585)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,578,848
Taxes Levied for Debt Service					390,080
Federal and State Aid - Unrestricted					5,848,780
Interest and Investment Earnings					(434,321)
Transfers from Other Agencies					2,075
Miscellaneous					324,002
Total General Revenues					<u>9,709,464</u>
Change in Net Position					2,904,879
Net Position - July 1, 2021					13,006,808
Net Position - June 30, 2022					<u>\$ 15,911,687</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**GRAVENSTEIN UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 10,723,442	\$ 2,087,634	\$ 578,377	\$ 652,416	\$ 14,041,869
Receivables (Note 3)	813,102			74,242	887,344
Due from Other Funds (Note 4)	496,685	59,758	771,618	15,930	1,343,991
Prepaid Expenditures (Note 1H)	21,981				21,981
Total Assets	<u>\$ 12,055,210</u>	<u>\$ 2,147,392</u>	<u>\$ 1,349,995</u>	<u>\$ 742,588</u>	<u>\$ 16,295,185</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 1,543,917	\$ 305,796	\$ 550,838	\$ 41,292	\$ 2,441,843
Due to Other Funds (Note 4)	847,306	466,685		30,000	1,343,991
Unearned Revenue (Note 1H)	120,894				120,894
Total Liabilities	<u>2,512,117</u>	<u>772,481</u>	<u>550,838</u>	<u>71,292</u>	<u>3,906,728</u>
Fund Balances: (Note 10)					
Nonspendable	26,981				26,981
Restricted	597,414	1,374,911		662,640	2,634,965
Assigned	860,004		799,157	8,656	1,667,817
Unassigned	8,058,694				8,058,694
Total Fund Balances	<u>9,543,093</u>	<u>1,374,911</u>	<u>799,157</u>	<u>671,296</u>	<u>12,388,457</u>
Total Liabilities and Fund Balances	<u>\$ 12,055,210</u>	<u>\$ 2,147,392</u>	<u>\$ 1,349,995</u>	<u>\$ 742,588</u>	<u>\$ 16,295,185</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRAVENSTEIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds \$ 12,388,457

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	\$ 26,093,000	
Accumulated Depreciation	<u>(7,491,122)</u>	
Net		18,601,878

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:

(2,271,538)

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	70,255	
General Obligation Bonds	5,960,831	
Total OPEB Liability	824,284	
Net Pension Liabilities	<u>5,851,724</u>	
Total		(12,707,094)

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 unmaturred interest owed at the end of the period was:

(100,016)

Total Net Position - Governmental Activities \$ 15,911,687

**GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 5,697,895			\$ 19,507	\$ 5,717,402
Local Taxes	3,578,848				3,578,848
Total LCFF Sources	9,276,743			19,507	9,296,250
Federal Revenue	508,479			405,445	913,924
State Revenue	1,491,858	\$ 2,188,849		26,921	3,707,628
Local Revenue	160,405	(69,532)	\$ (17,921)	620,033	692,985
Total Revenues	<u>11,437,485</u>	<u>2,119,317</u>	<u>(17,921)</u>	<u>1,071,906</u>	<u>14,610,787</u>
<u>Expenditures</u>					
Current:					
Instruction	7,821,439				7,821,439
Supervision of Instruction	17,131				17,131
Instructional Library and Technology	48,180				48,180
School Site Administration	671,744				671,744
Home-To-School Transportation	85,708				85,708
Food Services	21,180			339,644	360,824
Other Pupil Services	483,757				483,757
Data Processing Services	1,404				1,404
Other General Administration	772,646				772,646
Plant Services	655,914			61,926	717,840
Facilities Acquisition and Construction	1,045,273	744,413	979,803		2,769,489
Ancillary Services	51,172			7,283	58,455
Community Services	15,931			229,388	245,319
Other Outgo				5,266	5,266
Debt Service:					
Principal Retirement				143,000	143,000
Interest and Issuance Costs				247,546	247,546
Total Expenditures	<u>11,691,479</u>	<u>744,413</u>	<u>979,803</u>	<u>1,034,053</u>	<u>14,449,748</u>
Net Change in Fund Balances	(253,994)	1,374,904	(997,724)	37,853	161,039
Fund Balances - July 1, 2021	9,797,087	7	1,796,881	633,443	12,227,418
Fund Balances - June 30, 2022	<u>\$ 9,543,093</u>	<u>\$ 1,374,911</u>	<u>\$ 799,157</u>	<u>\$ 671,296</u>	<u>\$ 12,388,457</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRAVENSTEIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Governmental Funds \$ 161,039

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	\$ 2,771,732	
Depreciation Expense	(497,971)	
Net		2,273,761

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: (27,801)

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: 25,554

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: 317,462

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: 153,050

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: 1,814

Change in Net Position of Governmental Activities \$ 2,904,879

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to remove the double-counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded):

Government-wide Financial Statements (Concluded):

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

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

Fund Financial Statements:

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

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.

C. Basis of Accounting

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

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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

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

For the District, “available” means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

Unearned Revenue:

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

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

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

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

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

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

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

Major Governmental Funds:

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

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

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

Non-major Governmental Funds:

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

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

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

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).

E. Budgets and Budgetary Accounting

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

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

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

F. Use of Estimates

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

G. Encumbrances

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

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

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

2. Prepaid Expenses / Expenditures

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

3. Capital Assets

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

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Deferred Outflows / Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

5. Unearned Revenue

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

6. Compensated Absences

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

7. Other Post Employment Benefits (OPEB)

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

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Pensions (Concluded)

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.

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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

10. Fund Balances (Concluded)

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.

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022:

Cash on Hand and in Banks	\$ 7,098
Cash in Revolving Funds	5,000
County Pool Investments	<u>14,029,771</u>
Total	<u>\$ 14,041,869</u>

Cash on Hand and in Banks

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

Cash in Revolving 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.

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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Weighted Average Maturity

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

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 14,029,771	\$ 14,029,771	643

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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits (Concluded)

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, 2022, 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.

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Fair Value	Uncategorized
County Pool Investments	\$ 14,029,771	\$ 14,029,771

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2022, consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	\$ 120,335	\$ 57,030	\$ 177,365
State Government	573,912	6,907	580,819
Local Governments	44,701		44,701
Miscellaneous	74,154	10,305	84,459
Totals	\$ 813,102	\$ 74,242	\$ 887,344

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.

Due From / Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2022 were as follows:

General Fund due to Capital Projects - Special Reserve Fund to pay for the heat mitigation HVAC project	\$ 771,618
General Fund due to Child Development Fund to reimburse homework club related expenditures	15,930
Child Development Fund to General Fund to reverse reimbursement of homework club related expenditures	30,000
General Fund due to County School Facilities Fund to reimburse planning related expenditures related to the Universal Pre-K Program	59,758
County School Facilities Fund to General Fund to return funds originally transferred to cover roofing project	466,685
Total	\$ 1,343,991

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2022, is shown below:

	Balances July 1, 2021	Additions	Deletions	Balances June 30, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 149,717			\$ 149,717
Construction-in-Progress	267,450	\$ 1,263,132		1,530,582
Total Capital Assets Not Being Depreciated	417,167	1,263,132	\$ 0	1,680,299
Capital Assets Being Depreciated:				
Sites and Improvements	1,365,065			1,365,065
Buildings and Improvements	21,319,085	1,500,146		22,819,231
Furniture and Equipment	219,951	8,454		228,405
Total Capital Assets Being Depreciated	22,904,101	1,508,600	0	24,412,701
Less Accumulated Depreciation:				
Sites and Improvements	1,207,924	12,997		1,220,921
Buildings and Improvements	5,669,951	471,040		6,140,991
Furniture and Equipment	115,276	13,934		129,210
Total Accumulated Depreciation	6,993,151	497,971	0	7,491,122
Total Capital Assets Being Depreciated, Net	15,910,950	1,010,629	0	16,921,579
Governmental Activities Capital Assets, Net	\$ 16,328,117	\$ 2,273,761	\$ 0	\$ 18,601,878

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 347,688
Instruction-Related Services	34,045
Pupil Services	43,440
General Administration	36,793
Plant Services	36,005
Total	<u>\$ 497,971</u>

NOTE 6 - GENERAL OBLIGATION BONDS

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

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022, excluding \$201,831 of unamortized bond premiums, is as follows:

Current Interest Bonds

<u>Year of Issue</u>	<u>Interest Rate %</u>	<u>Year of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2021</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2022</u>
2012	3.2	2024	\$ 1,105,000	\$ 332,000		\$ 108,000	\$ 224,000
2013	2.00-4.00	2044	3,000,000	2,640,000		25,000	2,615,000
2015	2.00-5.00	2043	3,000,000	2,930,000		10,000	2,920,000
Totals			<u>\$ 7,105,000</u>	<u>\$ 5,902,000</u>	<u>\$ 0</u>	<u>\$ 143,000</u>	<u>\$ 5,759,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2022, is as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	105,000	225,000	330,000
2028-2032	790,000	1,058,563	1,848,563
2033-2037	1,400,000	842,412	2,242,412
2038-2042	2,285,000	427,875	2,712,875
2043-2047	685,000	24,850	709,850
Totals	<u>\$ 5,759,000</u>	<u>\$ 3,513,675</u>	<u>\$ 9,272,675</u>

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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:

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

* Only up to the District cap

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

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of June 30, 2021 are as follows:

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>52</u>
Total number of participants	<u><u>53</u></u>

Total OPEB Liability

The District's total OPEB liability of \$824,284 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2021
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.00%
Discount Rate	1.92%
Health care cost trend rates	5.20% for 2021 through 2034

The discount rate used to measure the total OPEB liability was based on the Fidelity GO 20-year municipal index. Mortality rates were based on the most recent experience study for CalSTRS members. The actuarial assumptions were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at Beginning of Year	\$ 895,020
Changes for the year:	
Service Cost	67,850
Interest on Total OPEB Liability	21,166
Changes in Assumptions or Other Inputs	102,993
Differences Between Expected and Actual Experience	(261,203)
Benefit Payments	(1,542)
Net Changes	(70,736)
Balance at End of Year	\$ 824,284

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 1.92%, 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 (0.92%) or one percentage point higher (2.92%) than the current rate:

	Discount Rate 1% Decrease	Discount Rate Current Rate	Discount Rate 1% Increase
District's Total OPEB Liability	\$ 898,114	\$ 824,284	\$ 752,474

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 5.20%, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	<u>Health Care Cost Trend rate 1% Decrease</u>	<u>Health Care Cost Trend rate Current Rate</u>	<u>Health Care Cost Trend rate 1% Increase</u>
District's Total OPEB Liability	\$ 690,764	\$ 824,284	\$ 985,429

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$89,016. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 1,814,675
Changes of assumptions or other inputs	\$ 198,293	65,908
Totals	<u>\$ 198,293</u>	<u>\$ 1,880,583</u>

Difference between expected and actual experience will be amortized over 19 and 11.1 years, respectively, and changes of assumptions or other inputs will be amortized over 9.8, 11.1 and 19 years, respectively, and recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2023	\$ (118,028)
2024	(118,028)
2025	(118,028)
2026	(118,028)
2027	(118,028)
Thereafter	(1,092,150)

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 3,827,188	\$ 2,588,514	\$ 3,533,658	\$ 865,925
CalPERS	2,024,536	1,156,133	800,237	559,357
Totals	<u>\$ 5,851,724</u>	<u>\$ 3,744,647</u>	<u>\$ 4,333,895</u>	<u>\$ 1,425,282</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public-school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and the 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 of these programs and their beneficiaries. 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Continued)

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

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 a factor of 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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

The parameters for 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 California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation) signed into law in June 2019 and June 2020, respectively, provided supplemental contributions to the defined benefit program along with supplemental contribution rate relief to employers through fiscal year 2021-22.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The member contribution rate for 2% at 60 members is set in statute at 10.25%, while 2% at 62 members are required to pay at least one-half of the normal cost of their Defined Benefit Program benefit (rounded to the nearest quarter of 1%). The member contribution rate for 2% at 62 members was 10.205% for fiscal year 2021-22.

Employers: The employer contribution rate was 16.92% of applicable member earnings for fiscal year 2021-22. This rate reflects a 2.18% reduction of the employer contribution rate for fiscal year 2021-22 pursuant to special legislation, than is required by the CalSTRS Funding Plan. The District contributed \$834,653 to the plan for the fiscal year ended June 30, 2022.

State: The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021-22, which increased the state supplemental contribution rate to 6.311% effective July 1, 2021. Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.828% for the fiscal year ended June 30, 2022.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 3,827,188
State's proportionate share of the net pension liability associated with the District	1,925,693
Total net pension liability attributed to District	\$ 5,752,881

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021 and June 30, 2020 was as follows:

Proportion - June 30, 2021	0.0084%
Proportion - June 30, 2020	0.0080%
Change - Increase (Decrease)	0.0004%

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$865,925, which includes \$540,843 of support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 834,653	
Differences between expected and actual experience	7,206	\$ 388,541
Changes of assumptions	419,376	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,327,279	104,372
Net differences between projected and actual earnings on plan investments		3,040,745
Totals	\$ 2,588,514	\$ 3,533,658

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, 2023. 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	
2023	\$ (278,878)
2024	(383,821)
2025	(530,701)
2026	(722,845)
2027	108,818
Thereafter	27,630

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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability include:

Valuation Date	June 30, 2020
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) Maintain 85% purchasing power level for DB

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

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 2021 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

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, 2021, are summarized in the following table:

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 mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-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	\$ 7,790,786	\$ 3,827,188	\$ 537,478

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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, 2021.

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, 2022 was 22.91% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2022 was \$367,248.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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, 2022, the District reported a liability of \$2,024,536, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2021 and June 30, 2020 was as follows:

Proportion - June 30, 2021	0.0100%
Proportion - June 30, 2020	<u>0.0078%</u>
Change - Increase (Decrease)	<u><u>0.0022%</u></u>

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$559,357. At June 30, 2022, 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	\$ 367,248	
Differences between expected and actual experience	35,912	\$ 4,773
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	752,973	
Net differences between projected and actual earnings on plan investments		<u>795,464</u>
Totals	<u><u>\$ 1,156,133</u></u>	<u><u>\$ 800,237</u></u>

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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, 2023. 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	
2023	\$ 138,360
2024	113,599
2025	(47,224)
2026	(216,087)

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 4.0 years as of June 30, 2021. 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, 2020 actuarial valuations were determined using the following actuarial methods and assumptions

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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, 2020 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - 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, 4}	Real Return Years 11+ ^{3, 4}
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

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

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

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

(4) Figures are based on the previous ALM of 2017.

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	\$ 3,413,651	\$ 2,024,536	\$ 871,271

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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022, is shown below:

	Balances July 1, 2021	Additions	Deductions	Balances June 30, 2022	Due within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 6,113,881		\$ 153,050	\$ 5,960,831	\$ 166,049
Other Long-Term Liabilities:					
Compensated Absences	42,454	\$ 70,255	42,454	70,255	70,255
Total OPEB Liability	895,020		70,736	824,284	
Net Pension Liability	10,095,071		4,243,347	5,851,724	
Totals	\$ 17,146,426	\$ 70,255	\$ 4,509,587	\$ 12,707,094	\$ 236,304

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 10 - FUND BALANCES

The District's fund balances at June 30, 2022 consisted of the following:

	General Fund	County School Facilities Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 5,000				\$ 5,000
Prepaid Expenditures	21,981				21,981
Total Nonspendable	26,981				26,981
Restricted:					
Categorical Programs	597,414				597,414
Food Services Program				\$ 89,728	89,728
Student Body				7,098	7,098
Debt Service				399,766	399,766
Capital Projects		\$ 1,374,911		166,048	1,540,959
Total Restricted	597,414	1,374,911		662,640	2,634,965
Assigned:					
Other Assignments	860,004		\$ 799,157	8,656	1,667,817
Unassigned:					
Economic Uncertainties	1,169,148				1,169,148
Unassigned Balance	6,889,546				6,889,546
Total Unassigned	8,058,694				8,058,694
Totals	\$ 9,543,093	\$ 1,374,911	\$ 799,157	\$ 671,296	\$ 12,388,457

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - 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 \$540,843 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

NOTE 12 - 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 2021-22, 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 13 - 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 14 - 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15 - 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 12, 2022, 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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 3,892,695	\$ 5,975,553	\$ 5,697,895	\$ (277,658)
Local Sources	3,273,726	3,556,904	3,578,848	21,944
Total LCFF Sources	7,166,421	9,532,457	9,276,743	(255,714)
Federal Revenue	264,142	520,184	508,479	(11,705)
Other State Revenue	1,009,505	1,506,508	1,491,858	(14,650)
Other Local Revenue	345,558	448,378	160,405	(287,973)
Total Revenues	8,785,626	12,007,527	11,437,485	(570,042)
<u>Expenditures</u>				
Current:				
Certificated Salaries	4,735,168	5,222,239	5,195,299	26,940
Classified Salaries	1,293,173	1,540,826	1,515,793	25,033
Employee Benefits	2,427,891	2,699,907	2,674,500	25,407
Books and Supplies	304,630	412,935	284,867	128,068
Services and Other				
Operating Expenditures	1,171,285	1,125,502	967,293	158,209
Capital Outlay	43,455	1,107,443	1,053,727	53,716
Total Expenditures	9,975,602	12,108,852	11,691,479	417,373
Excess of Revenues (Under) Expenditures	(1,189,976)	(101,325)	(253,994)	(152,669)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	(25,171)			
Operating Transfers Out	(153,918)			
Total Other Financing Sources (Uses)	(179,089)	0	0	0
Net Change in Fund Balances	(1,369,065)	(101,325)	(253,994)	\$ (152,669)
Fund Balances - July 1, 2021	9,797,087	9,797,087	9,797,087	
Fund Balances - June 30, 2022	\$ 8,428,022	\$ 9,695,762	\$ 9,543,093	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 67,850	\$ 67,440	\$ 240,793	\$ 233,780	\$ 226,972
Interest on Total OPEB Liability	21,166	25,258	74,213	64,744	56,501
Differences Between Expected and Actual Experience	(261,203)		(1,872,693)		
Changes in Assumptions or Other Inputs	102,993	116,883		(111,364)	
Benefit Payments	<u>(1,542)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(25,350)</u>
Net Change in Total OPEB Liability	(70,736)	204,581	(1,562,687)	182,160	258,123
Total OPEB Liability - Beginning	<u>895,020</u>	<u>690,439</u>	<u>2,253,126</u>	<u>2,070,966</u>	<u>1,812,843</u>
Total OPEB Liability - Ending	<u><u>\$ 824,284</u></u>	<u><u>\$ 895,020</u></u>	<u><u>\$ 690,439</u></u>	<u><u>\$ 2,253,126</u></u>	<u><u>\$ 2,070,966</u></u>
Covered-employee Payroll	\$ 3,992,693	\$ 3,100,701	\$ 3,032,470	\$ 3,505,475	\$ 3,352,170
District's Total OPEB Liability as a % of Covered-employee Payroll	20.64%	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, 2022

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>State's Proportionate Share of the NPL Associated to District</u>	<u>Total NPL Attributed to District</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2022	0.0084%	\$ 3,827,188	\$ 1,925,693	\$ 5,752,881	\$ 4,568,384	83.78%	87.21%
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, 2022

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2022	0.0100%	\$ 2,024,536	\$ 1,303,879	155.27%	80.97%
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, 2022

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
2022	\$ 834,653	\$ 834,653	\$ 0	4,932,937	16.92%
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, 2022

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
2022	\$ 367,248	\$ 367,248	\$ 0	\$ 1,603,003	22.910%
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.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022.

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

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

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

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

D. Schedule of Contributions

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

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 2.20% at June 30, 2020 to 1.92% at June 30, 2021.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

A. Benefit Changes

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

B. Changes in Assumptions

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

SUPPLEMENTARY INFORMATION SECTION

**GRAVENSTEIN UNION SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

ORGANIZATION

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

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Gregory Appling	President	December 2022
Jeri McNeill	Clerk	December 2024
Jennifer Koelemeijer	Member	December 2022
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, 2022**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Child Development</u>
<u>Assets</u>			
Deposits and Investments	\$ 5,830	\$ 66,930	\$ 7,772
Receivables		63,937	9,277
Due from Other Funds			15,930
Total Assets	<u>\$ 5,830</u>	<u>\$ 130,867</u>	<u>\$ 32,979</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable		\$ 41,139	\$ 153
Due to Other Funds			30,000
Total Liabilities		<u>41,139</u>	<u>30,153</u>
Fund Balances:			
Restricted		89,728	
Assigned	\$ 5,830		2,826
Total Fund Balances	<u>5,830</u>	<u>89,728</u>	<u>2,826</u>
Total Liabilities and Fund Balances	<u>\$ 5,830</u>	<u>\$ 130,867</u>	<u>\$ 32,979</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Student Activity</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
\$ 7,098	\$ 399,766	\$ 165,020 1,028	\$ 652,416 74,242 15,930
<u>\$ 7,098</u>	<u>\$ 399,766</u>	<u>\$ 166,048</u>	<u>\$ 742,588</u>
			\$ 41,292 30,000
			<u>71,292</u>
\$ 7,098	\$ 399,766	\$ 166,048	662,640 8,656
<u>7,098</u>	<u>399,766</u>	<u>166,048</u>	<u>671,296</u>
<u>\$ 7,098</u>	<u>\$ 399,766</u>	<u>\$ 166,048</u>	<u>\$ 742,588</u>

**GRAVENSTEIN UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Child Development</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 19,507		
Federal Revenue		\$ 405,445	
State Revenue		24,206	
Local Revenue	(248)	(2,244)	\$ 229,111
Total Revenues	<u>19,259</u>	<u>427,407</u>	<u>229,111</u>
<u>Expenditures</u>			
Current:			
Food Services		339,644	
Plant Services	61,926		
Ancillary Services			
Community Services			229,388
Other Outgo			
Debt Service:			
Principal Retirement			
Interest and Issuance Costs			
Total Expenditures	<u>61,926</u>	<u>339,644</u>	<u>229,388</u>
Net Change in Fund Balances	(42,667)	87,763	(277)
Fund Balances - July 1, 2021	<u>48,497</u>	<u>1,965</u>	<u>3,103</u>
Fund Balances - June 30, 2022	<u>\$ 5,830</u>	<u>\$ 89,728</u>	<u>\$ 2,826</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

<u>Student Activity</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 19,507
			405,445
	\$ 2,715		26,921
\$ 8,647	374,708	\$ 10,059	620,033
<u>8,647</u>	<u>377,423</u>	<u>10,059</u>	<u>1,071,906</u>
			339,644
			61,926
7,283			7,283
			229,388
		5,266	5,266
	143,000		143,000
	247,546		247,546
<u>7,283</u>	<u>390,546</u>	<u>5,266</u>	<u>1,034,053</u>
1,364	(13,123)	4,793	37,853
<u>5,734</u>	<u>412,889</u>	<u>161,255</u>	<u>633,443</u>
<u>\$ 7,098</u>	<u>\$ 399,766</u>	<u>\$ 166,048</u>	<u>\$ 671,296</u>

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

		P-2 Report	
		TK / K - 3	Totals
Regular		34.77	34.77
Totals		34.77	34.77
		Annual Report	
		TK / K - 3	Totals
Regular		34.97	34.97
Totals		34.97	34.97

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>P-2 Reports</u>		<u>Annual Reports</u>	
	<u>Classroom- Based</u>	<u>Totals</u>	<u>Classroom- Based</u>	<u>Totals</u>
<u>Gravenstein Elementary Charter School</u>				
TK / K - 3	261.84	274.34	263.36	274.00
Grades 4 - 6	130.22	138.28	129.24	136.79
Totals	<u>392.06</u>	<u>412.62</u>	<u>392.60</u>	<u>410.79</u>
<u>Hillcrest Middle Charter School</u>				
Grades 4 - 6	72.61	73.98	72.46	72.46
Grades 7 - 8	191.16	198.17	190.68	190.68
Totals	<u>263.77</u>	<u>272.15</u>	<u>263.14</u>	<u>263.14</u>
<u>Audited P-2 Reports</u>				
<u>Hillcrest Middle Charter School</u>				
Grades 4 - 6	72.57	72.57		
Grades 7 - 8	191.92	191.92		
Totals	<u>264.49</u>	<u>264.49</u>		

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2021-22 Actual Minutes</u>	<u>Instructional Days</u>		<u>Status</u>
			<u>Number of Days Traditional Calendar</u>	<u>Number of Days J-13A Credited</u>	
Grade 1	50,400	59,200	180	0	In Compliance

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2021-22 Actual Minutes</u>	<u>Instructional Days</u>		<u>Status</u>	
			<u>Number of Days Traditional Calendar</u>	<u>J-13A Credited</u>		
Gravenstein Elementary						
Kindergarten	36,000	49,000	180	0	N/A	In Compliance
Grade 1	50,400	59,200	180	0	N/A	In Compliance
Grade 2	50,400	59,200	180	0	N/A	In Compliance
Grade 3	50,400	59,200	180	0	N/A	In Compliance
Grade 4	54,000	59,200	180	0	N/A	In Compliance
Grade 5	54,000	59,200	180	0	N/A	In Compliance
Hillcrest Middle						
Grade 6	54,000	60,000	180	0	N/A	In Compliance
Grade 7	54,000	60,000	180	0	N/A	In Compliance
Grade 8	54,000	60,000	180	0	N/A	In Compliance

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed Through California Department of Education (CDE):			
<i>Child Nutrition Cluster:</i>			
National School Lunch	10.555	13524	\$ 205,369
School Needy Breakfast	10.553	13526	111,670
USDA Food Commodities	10.555	*	22,605
Subtotal Child Nutrition Cluster			<u>339,644</u>
Total U.S. Department of Agriculture			<u>339,644</u>
U.S. Department of Education:			
Passed Through CDE:			
Title I Part A Basic Grant Low-Income & Neglected	84.010	14329	35,969
Title II, Part A, Supporting Effective Instruction	84.367	14341	6,685
Education Stabilization Fund Programs:			
COVID-19 Elementary and Secondary School Emergency Relief	84.425	15536	160
COVID-19 Elementary and Secondary School Emergency Relief II	84.425D	15547	112,896
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	15559	252,719
COVID-19 Governor's Emergency Education Relief Fund	84.425C	15517	7,687
Subtotal Education Stabilization Fund Programs			<u>373,462</u>
Passed Through Sonoma County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	90,098
IDEA Part B Preschool Grants	84.173	13430	2,265
Subtotal Special Education Cluster			<u>92,363</u>
Total U.S. Department of Education			<u>508,479</u>
Total			<u>\$ 848,123</u>

* Pass-Through Entity's Identification number is not available or not applicable.

The District provided no federal awards to subrecipients.

**GRAVENSTEIN UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	General Fund	Special Revenue - Special Reserve Fund	Special Reserve Fund For Post-Employment Benefits	County School Facilities Fund	Capital Projects - Special Reserve	Deferred Maintenance Fund	Cafeteria Fund	Child Development Fund	Bond Interest & Redemption Fund	Capital Facilities Fund
June 30, 2022 Annual Financial and Budget Report Fund Balances	\$ 8,520,826	\$ 544,113	\$ 860,004	\$ 1,368,590	\$ 841,086	\$ 6,038	\$ 111,821	\$ 3,103	\$ 414,008	\$ 171,927
Reclassifications and Adjustments										
Increasing (Decreasing) Fund Balances:										
Overstatement in the Fair Value of Investments	(381,850)			(74,373)	(20,605)	(208)	(2,384)	(277)	(14,242)	(5,879)
Understatement of Food and Supplies Expenditures							(19,709)			
Understatement (Overstatement) of Capital Outlay Expenditures				80,694	(21,324)					
Reclassifications of Fund Balances	1,404,117	(544,113)	(860,004)							
Net Adjustments and Reclassifications										
Increasing (Decreasing) Fund Balances	1,022,267	(544,113)	(860,004)	6,321	(41,929)	(208)	(22,093)	(277)	(14,242)	(5,879)
June 30, 2022 Audited Financial Statements Fund Balances	\$ 9,543,093	\$ 0	\$ 0	\$ 1,374,911	\$ 799,157	\$ 5,830	\$ 89,728	\$ 2,826	\$ 399,766	\$ 166,048

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, 2022.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	GENERAL FUND			
	(Budget) 2022-23	2021-22	2020-21	2019-20
Revenues and Other Financial Sources	\$ 10,469,280	\$ 11,437,485	\$ 10,670,544	\$ 10,207,964
Expenditures	12,543,943	11,691,479	9,632,193	9,555,869
Other Uses and Transfers Out			1,890,942	44,937
Total Outgo	12,543,943	11,691,479	11,523,135	9,600,806
Change in Fund Balance	(2,074,663)	(253,994)	(852,591)	607,158
Ending Fund Balance	\$ 7,468,430	\$ 9,543,093	\$ 9,797,087	\$ 10,649,678
Available Reserves	\$ 6,100,842	\$ 8,058,694	\$ 5,754,175	\$ 5,125,129
Reserve for Economic Uncertainties *	\$ 1,254,394	\$ 1,169,148	\$ 953,173	\$ 981,118
Available Reserves as a Percentage of Total Outgo	48.6%	68.9%	49.9%	53.4%
Total Long-Term Liabilities	\$ 12,470,790	\$ 12,707,094	\$ 17,146,426	\$ 15,029,357
Average Daily Attendance at P-2 (Inclusive of Charter Schools)	731	712	N/A	736

* Reported balances are a component of available reserves.

The fund balance of the General Fund decreased \$1,106,585 (10%) over the past two years. The fiscal year 2022-23 budget projects a decrease of \$2,074,663. 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 incurred operating deficits of \$253,994 and \$852,591 during fiscal years 2021-22 and 2020-21, respectively, and produced an operating surplus of \$607,158 during fiscal year 2019-20.

Total long-term liabilities decreased \$2,322,263 over the past two years.

Average daily attendance (ADA) decreased 24 ADA over the past two years. An increase of 19 ADA is projected for fiscal year 2022-23.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Average Daily Attendance - Charter School

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

D. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

E. Schedule of Instructional Time - Charter Schools

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District's charter schools, and whether these charter schools complied with the provisions of Education Code Sections 47612 and 47612.5.

F. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

GRAVENSTEIN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

F. Schedule of Expenditures of Federal Awards (Concluded)

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has not elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

G. 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.

H. 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.

I. Schedule of Charter Schools

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON 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 aggregate remaining fund information of the Gravenstein Union School District, as of and for the year ended June 30, 2022, 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 12, 2022.

Report on 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 were not 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 as **Finding 2022-001** to be a material weakness.

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 as **Findings 2022-002** and **2022-003** to be significant deficiencies.

Report on 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 Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Gravenstein Union School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Gravenstein Union School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 12, 2022

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Gravenstein Union School District
Sebastopol, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gravenstein Union School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Gravenstein Union School District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gravenstein Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Gravenstein Union School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Gravenstein Union School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Gravenstein Union School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gravenstein Union School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Gravenstein Union School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gravenstein Union School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gravenstein Union School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Gravenstein Union School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Concluded)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2022

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

Opinion on State Compliance

We have audited Gravenstein Union School District's (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* applicable to the District's state programs identified below for the year ended June 30, 2022.

In our opinion, Gravenstein Union School District complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (2021-22 Audit Guide)*. Our responsibilities under those standards and the *Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Gravenstein Union School District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we express no such opinion; and;
- Select and test transactions and records to determine the District's compliance with state laws and regulations applicable to the following items:

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2022-004, 2022-005** and **2022-006**.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and 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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-22 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 12, 2022

FINDINGS AND QUESTIONED COSTS SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Federal Awards

Internal control over major programs:

 Material weaknesses identified? Yes X No

 Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
84.425	Education Stabilization Fund Programs

Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

State Awards

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

Any audit findings required to be reported in accordance
with the *2021-22 Guide for Annual Audits of K-12 Local
Educational Agencies and State Compliance Reporting?* X Yes No

Any audit findings required to be reported in accordance
with other state laws and regulations? Yes X No

Internal control over state programs:

 Material weaknesses identified? Yes X No

 Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

2022 - 001 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

Criteria:

1. Education Code Section 41010 requires local educational agencies (LEAs) to follow the definitions, instructions, and procedures in the California School Accounting Manual, including Procedure 425, which describes the procedures to be followed by LEAs to implement Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and External Investment Pools", which requires LEAs to report their cash in the county treasury at fair value. However, like all other GASB statements, GASB 31 states that it does not apply to nonmaterial items. As a result, LEAs are only required to record their cash maintained in the county treasury at fair value, if the difference between the reported cash balance and the fair value are material to the LEAs financial statements. Accordingly, LEAs should have a system in place to monitor the fair value of the pooled investments in the county treasury, to ensure that fair value adjustments are recorded, if necessary, for the fair presentation of the financial statements.

2. 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.

Conditions:

1. The District did not adjust its cash balances to reflect fair value, even though the difference between the reported cash balances and the fair value of the cash balances were material to the financial statements.

2. 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINANCIAL REPORTING - UNAUDITED ACTUALS (CONTINUED)

- Context:**
1. This is the first year since the issuance of GASB 31 that the difference between the District's reported cash in county treasury balances and the fair value of those balances were significant enough to warrant the adjustment of the cash in county treasury balances to fair value to ensure the fair presentation of the financial statements.
 2. The adjustments that were made to ensure that the financial statements were fairly stated are presented on page 73 of this report.
- Effects:**
1. The District did not comply with the requirements of GASB 31.
 2. 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.
- Causes:**
1. The District does not currently have a system in place to monitor the fair value of the pooled investments in the county treasury, to ensure that fair value adjustments are recorded, if necessary, for the fair presentation of the financial statements.
 2. The District did not have effective procedures in place to ensure that the "Unaudited Actuals" were free of material misstatements.
- Recommendations:**
1. The District should establish appropriate procedures to monitor the fair value of the pooled investments in the county treasury. If fair value adjustments are required to ensure the financial statements are fairly presented, the District should follow the guidance in Procedure 425 of the California School Accounting Manual. Further, the District should also consider recording the adjustment on an annual basis even if the amounts are not material, since the required calculations and postings are relatively easy to perform.
 2. 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.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINANCIAL REPORTING - UNAUDITED ACTUALS (CONCLUDED)

District Response:

Generally accepted accounting principles (GAAP) require school districts to report their investments at fair value on the balance sheet in accordance with GASB 31. The fair value of investments in external pools (i.e. cash in county treasurer) is based on fair value of the pool's underlying portfolio. Though required, unlike other GASB statements, GASB 31 statement states that it does not apply to immaterial items. Therefore, only material differences between the fair value and the reported cash balances are required to be reported on the balance sheet. Due to the rare occurrence of a material difference occurring, it has never previously been the practice of the District to book a adjustment. Fiscal year 2021-22 was the first year since GASB 31 was issued that a material difference occurred that would result in the requirement for the District to book an adjustment prior to closing. The District has worked closely with the County, which monitors the fair value of the pooled investments in the county treasury, to start reviewing the District's Fair Value during the closing process which follows the California Standard Accounting process. Additionally, the Sonoma County Office of Education (SCOE) will perform the calculation (difference between fair value and reported cash balance) once the County Treasurer's Investment Portfolio Report (Quarterly Report and Certification of the County Treasurer Report for Quarter Ending June 30th) is available for June 30th (year-end).

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022 - 002 / 30000

SIGNIFICANT DEFICIENCY

CAFETERIA SHEETS

Criteria: All sheets used to keep track of the number of meals served should be signed by the site-level preparer.

Condition: Monthly sheets used to summarize the number of breakfast and lunch meals ordered, received and served were not signed by the site-level preparers.

Questioned Costs: None.

Context: This condition existed throughout fiscal year 2021-22.

Effect: There is no way to determine the propriety or reasonableness of information reported on cafeteria sheets if they are not signed by the individuals who prepared the sheets.

Cause: The District has not established policies and procedures that require all cafeteria sheets to be signed by the preparers.

Recommendation: The District should establish appropriate procedures to ensure that all sheets used to keep track of the number of meals served are signed by the site-level preparers on a monthly basis.

District Response: In the 2021-22 school year, the District transitioned to the Summer Seamless Feeding Option which allowed all students to eat both breakfast and lunch for free. This transition increased participation in the nutrition program far beyond the expectations of the nutritional services team. While focusing on program needs to meeting this increased demand, staff was utilizing past practice and procedures. During the 2022-23 school year, the nutritional services program ended their vended food program and transitioned to a semi-scratch cooking model. During this period, we have been intensely reviewing or program practices and procedures. Included in the review is how staff is recording student meals in our Student Information System (SIS) as well as reviewing monthly meal count numbers prior to inputting the information into the State's Child Nutrition Information System (CNIPS). Moving forward, staff have implemented a three step process to review meals served students to be reimbursed by the state. This includes 1) having a staff member stand at the (SIS) during the point of sale to visually see the student's meal for compliance, 2) having a second staff member review and sign that the meals recorded at the end of the month are accurate, 3) having a third staff member review the signed reports to then enter into the CNIPs system.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2022 - 003 / 30000

SIGNIFICANT DEFICIENCY

CONFLICT OF INTEREST FORMS

<u>Criteria:</u>	A "Statement of Economic Interests" Form (California Form 700) is required to be submitted to the District by April 1 st of each year. For initial statements of elected officials, forms should be submitted within 30 days after assuming office.
<u>Conditions:</u>	A recent Form 700 was not available for several Board members.
<u>Questioned Cost:</u>	None.
<u>Context:</u>	Two of the five Board members did not have a recent Form 700 on file with the District and one Board member turned in their Form 700 after April 1, 2022.
<u>Effects:</u>	There is no way to identify if potential conflicts of interest exist for the three Board members.
<u>Cause:</u>	Despite several requests from the District business office, Board members have not completed and filed Form 700.
<u>Recommendation:</u>	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.
<u>District Response:</u>	As noted in the finding, staff reached out to board members multiple times to ensure Form 700 was filled out in a prompt manner. Staff will continue take stronger measures to ensure Board members file their Form 700 by the April 1 st deadline.

**GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2022.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022 - 004 / 40000

NONCLASSROOM-BASED INSTRUCTION / INDEPENDENT STUDY

<u>Criteria:</u>	In accordance with Education Code 51747(g)(9)(F), for the 2021-22 school year only, a local educational agency shall obtain a signed written agreement for an independent study program of any length of time from the pupil, or the pupil's parent or legal guardian if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil no later than 30 days after the first day of instruction in an independent study program or October 15, whichever date comes later.
<u>Condition:</u>	Independent study attendance was claimed prior to obtaining all required signatures on the independent study master agreements. As a result, the non-classroom based average daily attendance (ADA) reported on the P-2 attendance report was overstated by 7.66 ADA.
<u>Questioned Costs:</u>	\$67,271. Questioned costs were determined by multiplying the disallowed independent study ADA by the derived value of ADA amount provided by the CDE, as follows: (Grades 4-6 - 1.37 ADA x \$8,573.83, Grades 7-8 - 6.29 ADA x \$8,827.45).
<u>Context:</u>	All independent study agreements for Hillcrest Middle School for the 2021-22 school year.
<u>Effect:</u>	The District did not qualify to receive apportionment funding for attendance that was generated by students prior to obtaining all of required signatures on the independent study master agreements.
<u>Cause:</u>	Established District procedures for the independent study program were not followed.
<u>Recommendation:</u>	The District should implement procedures to ensure that no ADA is claimed for independent study pupils prior to obtaining all of the required signatures on the completed independent study master agreements. In addition, the District has already amended the P-2 attendance report to reflect the audited ADA amounts presented on page 69.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

NONCLASSROOM-BASED INSTRUCTION / INDEPENDENT STUDY (CONCLUDED)

District Response:

The District returned to In-Person Instruction in the 2021-22 school year, during which we also expanded our short and long-term independent study program. The GUSD independent study agreement was updated in accordance with AB 130, which amended AB 167. The GUSD Board of Education reviewed and approved of the changes on August 10, 2021 and site leadership was informed of the changes prior the start of the school year. Unfortunately, the changes required in AB 130 were not unilaterally across both school sites. The District was made aware of the lack of implementation of the changes during the audit process, and quickly moved to understand the full extent of the issue and implement procedures which ensured that ADA claimed from independent study would not be called into question moving forward. Currently, staff is reviewing each independent study contract prior to claiming ADA to ensure that all ADA claimed is in accordance with State standards.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2022 - 005 / 10000

ATTENDANCE - DIGITAL TEACHER SIGNATURES

<u>Criteria:</u>	In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.
<u>Condition:</u>	Attendance log reports were not signed on a consistent basis by the teachers who recorded the attendance.
<u>Questioned Costs:</u>	None. Attendance is recorded on-line in the classrooms by the teachers. In addition, we determined that the attendance recorded was based on the actual attendance of the students, and could be relied upon for attendance reporting purposes.
<u>Context:</u>	The condition was noted throughout fiscal year 2021-22 at Hillcrest Middle School.
<u>Effect:</u>	No certifications were made, by the teachers who recorded the attendance, as to the accuracy or completeness of the reported attendance.
<u>Cause:</u>	The District has not adequately enforced procedures that require attendance log reports to be signed annually by the teachers who recorded the attendance.
<u>Recommendation:</u>	The District should enforce procedures that require attendance log reports to be signed annually by the teachers who recorded the attendance.
<u>District Response:</u>	During the 2020-21, all schools in California received a waiver to allow for on-line attendance taking. This was due to the COVID-19 outbreak that required all school to migrate to distance learning. Once returning to the classroom in 2021-22, teachers at the middle school site continued to take on-line attendance via the Student Information System, but failed to physically sign any attendance reports which did not comply with the COVID-19 waiver as students had returned to In-Person Instruction. As the District will continue to take on-line period attendance in the 2022-23 school year and beyond, site administrative staff will ensure that monthly attendance reports have physical signatures from both the Principal and classroom teacher.

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

2022 - 006 / 10000

ATTENDANCE

<u>Criteria:</u>	In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.
<u>Condition:</u>	Teachers are not logging into the attendance software system and taking attendance on a daily basis.
<u>Questioned Costs:</u>	None. Attendance is recorded on-line in the classrooms by the teachers. In addition, we determined that the attendance recorded was based on the actual attendance of the students, and could be relied upon for attendance reporting purposes.
<u>Context:</u>	The condition was noted throughout fiscal year 2021-22 at Hillcrest Middle School.
<u>Effect:</u>	There is no documented evidence that attendance was taken when teacher do not log into their attendance software and take attendance on a daily basis.
<u>Cause:</u>	Teachers are not following established District attendance procedures.
<u>Recommendations:</u>	The District should enforce policies and procedures that require the Office Manager to track whether teachers are logging into the attendance software system and taking attendance on a daily basis, perform follow-up procedures on delinquent teachers, and report those delinquent teachers to the appropriate supervisor(s).
<u>District Response:</u>	This is the second audit finding concerning attendance taking at the middle school site in three years. District has continued to impress on teachers the importance of taking attendance for each class period as well as to ensure the attendance is accurate for attendance reporting purposes. In addition to following up with teachers to record attendance, staff has reviewed procedures with the site's school secretary to impress the importance of reviewing daily attendance recorded by teachers. As the front line in reviewing daily attendance, it is the primary role of the site's school secretary to monitor daily attendance for accuracy before certifying the accuracy of the reports to the business office for apportionment recording.

**GRAVENSTEIN UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
2021 - 001 / 30000		
<u>FINANCIAL REPORTING - UNAUDITED ACTUALS</u>		
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.	Partially Implemented	Comment Repeated (see 2022-001)
2021 - 002 / 30000		
<u>CLEARING BANK ACCOUNT</u>		
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.	Implemented	
2021 - 003 / 30000		
<u>CONFLICT OF INTEREST FORMS</u>		
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.	Not Implemented	Comment Repeated (see 2022-003)
<u>STATE AWARDS</u>		
2021 - 004 / 72000		
<u>SCHOOL ACCOUNTABILITY REPORT CARD</u>		
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.	Implemented	