GRAVENSTEIN UNION SCHOOL DISTRICT
COUNTY OF SONOMA
SEBASTOPOL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2019

GRAVENSTEIN UNION SCHOOL DISTRICT

JUNE 30, 2019

TABLE OF CONTENTS

TABLE OF CONTENTS (CONCLUDED)

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gravenstein Union School District
Sebastopol, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gravenstein Union School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit are not reported.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District, as of June 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gravenstein Union School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gravenstein Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

<u>Other Matters (Concluded)</u>

Other Information

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

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

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020 on our consideration of the Gravenstein Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gravenstein Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gravenstein Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 6, 2020

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, 2019. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved during the course of the year, as total net position increased 9.1%.

- On the Statement of Activities, total current year revenues exceeded total current year expenses by $1,122,471.

- Net capital assets increased $3,442,635 due to the current year acquisition and construction of $3,740,693 of new capital assets and improvements, and the current year recognition of $298,058 of depreciation expense.

- Total long-term liabilities increased $929,475, due primarily to current year increases in the District's total OPEB liability and net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

- The District's P-2 average daily attendance (ADA) increased from 703 ADA in fiscal year 2017-18, up to 719 ADA in fiscal year 2018-19, an increase of 16 ADA or 2.3%.

- During fiscal year 2018-19, the District's General Fund produced an operating surplus of $567,580 and reported a $513,559 increase in its available reserves.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2018-19, General Fund total outgo was $9,771,911. At June 30, 2019, the District had available reserves of $3,509,350 which represents a reserve of 35.9%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

    - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.

    - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

Governmental 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.

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of Gravenstein Union School District are the General Fund and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required. Internal service funds are reported with the governmental funds. The District has no funds of this type.

Fiduciary Funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position increased from $12,297,074 at June 30, 2018 up to $13,419,545 at June 30, 2019, an increase of 9.1%.

Comparative Statement of Net Position

	Governmental Activities	
	2018	2019
Assets		
Deposits and Investments	$ 13,728,146	$ 11,901,189
Receivables	634,872	481,533
Prepaid Expenses	21,562	13,913
Capital Assets, net	12,890,229	16,332,864
Total Assets	27,274,809	28,729,499
Deferred Outflows of Resources		
OPEB Deferrals	5,000	5,000
Pension Deferrals	2,894,206	3,167,816
Total Deferred Outflows of Resources	2,899,206	3,172,816
Liabilities		
Current	1,484,761	1,178,541
Long-term	15,415,423	16,328,981
Total Liabilities	16,900,184	17,507,522
Deferred Inflows of Resources		
OPEB Deferrals		100,000
Pension Deferrals	976,757	875,248
Total Deferred Inflows of Resources	976,757	975,248
Net Position		
Net Investment in Capital Assets	6,396,199	9,956,883
Restricted	1,190,961	1,074,088
Unrestricted	4,709,914	2,388,574
Total Net Position	$ 12,297,074	$ 13,419,545

Table includes financial data of the combined governmental funds

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by $1,122,471.

Comparative Statement of Changes in Net Position

	Governmental Activities	
	2018	2019
Program Revenues		
Charges for Services	$ 71,249	$ 42,361
Operating Grants & Contributions	1,399,204	1,404,944
General Revenues		
Taxes Levied	3,288,147	3,442,793
Federal & State Aid	4,939,536	5,721,894
Interest & Investment Earnings	181,404	234,876
Other Revenues	289,113	290,161
Total Revenues	10,168,653	11,137,029
Expenses		
Instruction	6,062,585	6,890,830
Instruction-Related Services	494,169	640,728
Pupil Services	341,933	479,838
General Administration	873,436	1,012,744
Plant Services	499,897	490,590
Other Expenses	447,533	499,828
Total Expenses	8,719,553	10,014,558
Changes in Net Position	$ 1,449,100	$ 1,122,471

Table includes financial data of the combined governmental funds

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

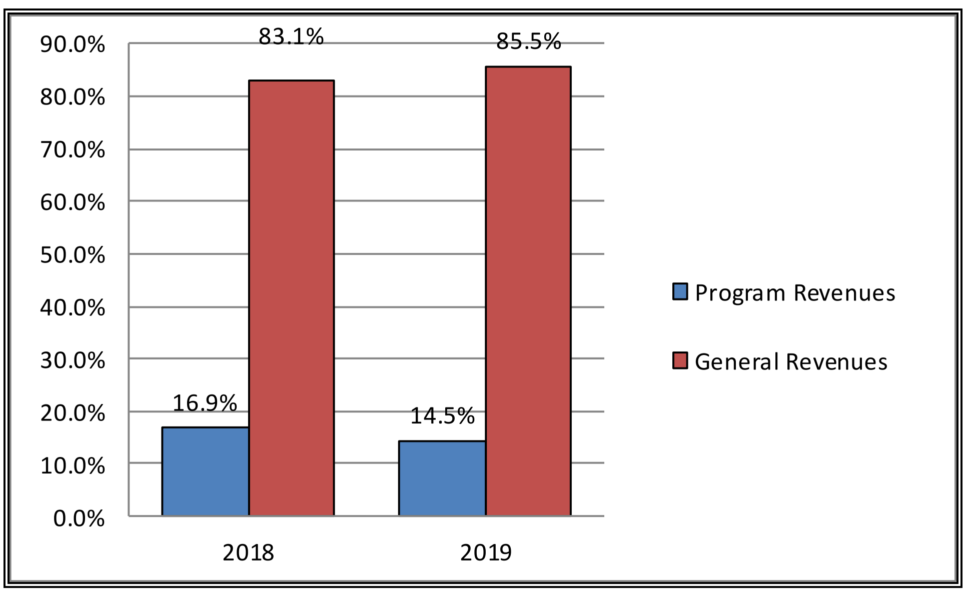
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2018	2019	2018	2019
Instruction	$ 6,062,585	$ 6,890,830	$ 4,757,866	$ 5,718,490
Instruction-Related Services	494,169	640,728	476,499	601,150
Pupil Services	341,933	479,838	206,576	298,754
General Administration	873,436	1,012,744	862,700	981,906
Plant Services	499,897	490,590	499,830	481,124
Other Expenses	447,533	499,828	445,629	485,829
Totals	$ 8,719,553	$ 10,014,558	$ 7,249,100	$ 8,567,253

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 $8,567,253 net cost represents the share of total cost that the District's general revenues provide for the services listed.



For fiscal year 2018-19, program revenues financed 14.5% of the total cost of providing the services listed above, while the remaining 85.5% was financed by the general revenues of the District.

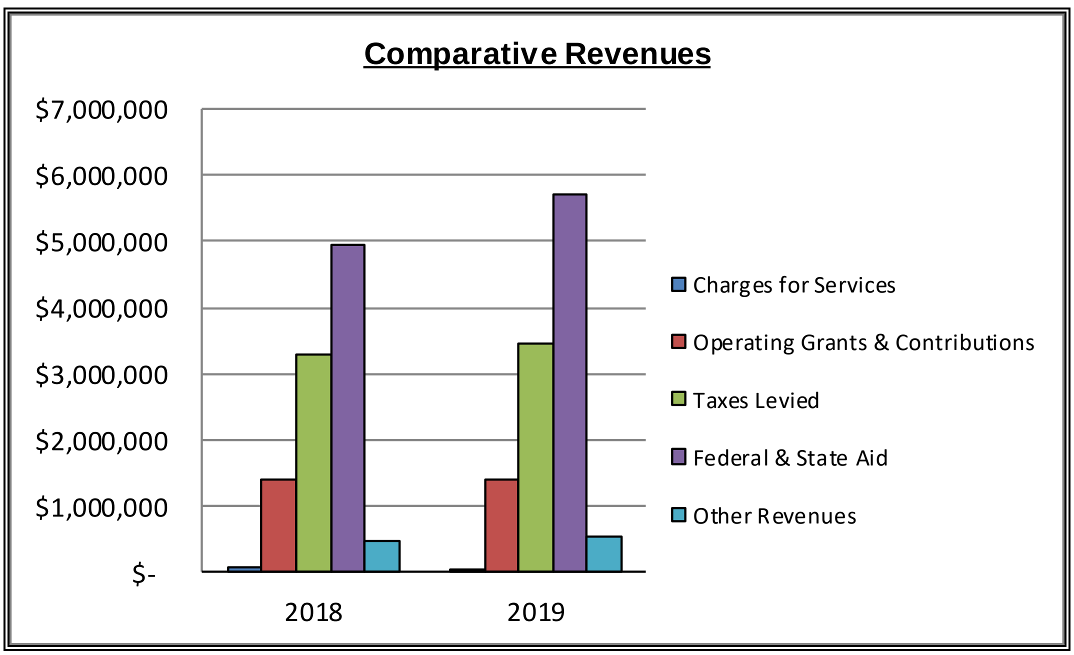
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2018 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 71,249	0.70%	$ 42,361	0.38%
Operating Grants & Contributions	1,399,204	13.76%	1,404,944	12.62%
General Revenues				
Taxes Levied	3,288,147	32.34%	3,442,793	30.91%
Federal & State Aid	4,939,536	48.58%	5,721,894	51.38%
Other Revenues	470,517	4.63%	525,037	4.71%
Total Revenues	$ 10,168,653	100.00%	$ 11,137,029	100.00%

Table includes financial data of the combined governmental funds



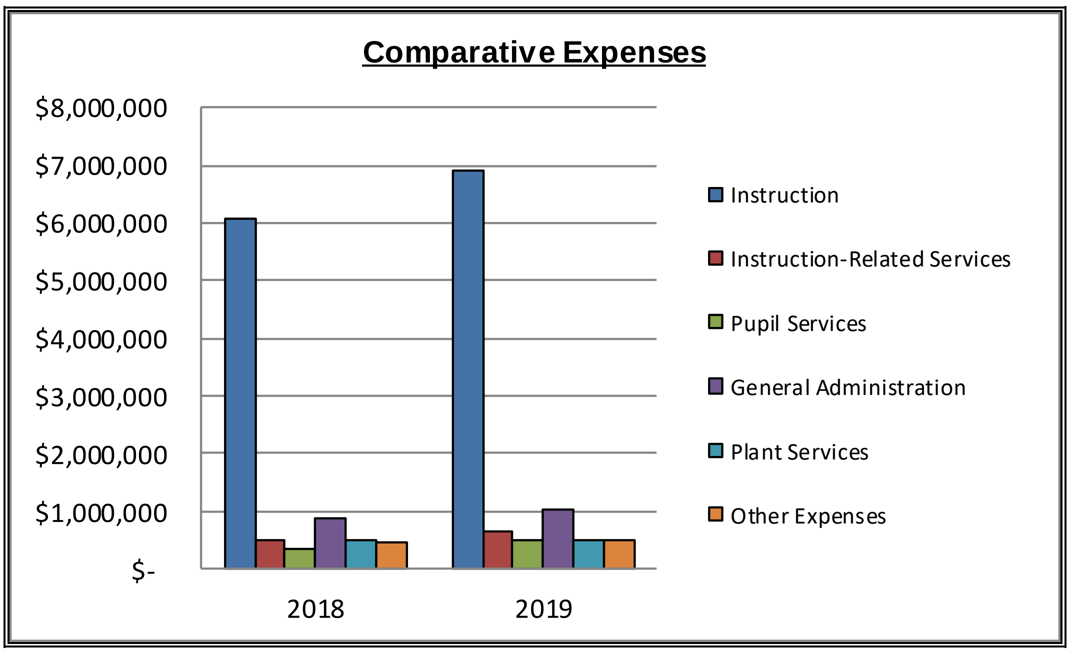
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

	FYE 2018 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
Expenses				
Instruction	$ 6,062,585	69.53%	$ 6,890,830	68.81%
Instruction-Related Services	494,169	5.67%	640,728	6.40%
Pupil Services	341,933	3.92%	479,838	4.79%
General Administration	873,436	10.02%	1,012,744	10.11%
Plant Services	499,897	5.73%	490,590	4.90%
Other Expenses	447,533	5.13%	499,828	4.99%
Total Expenses	$ 8,719,553	100.00%	$ 10,014,558	100.00%

Table includes financial data of the combined governmental funds



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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities	
	2018	2019
Land	$ 149,717	$ 149,717
Sites and Improvements	1,334,061	1,334,061
Buildings and Improvements	16,154,148	16,193,776
Furniture and Equipment	117,612	127,126
Construction-in-Progress	987,444	4,678,995
Subtotals	18,742,982	22,483,675
Less: Accumulated Depreciation	(5,852,753)	(6,150,811)
Capital Assets, net	$ 12,890,229	$ 16,332,864

Net capital assets increased $3,442,635 due to the current year acquisition and construction of $3,740,693 of new capital assets and improvements, and the current year recognition of $298,058 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2018	2019
General Obligation Bonds	$ 6,494,030	$ 6,375,981
Compensated Absences	20,515	27,432
Total OPEB Liability	2,070,966	2,253,126
Net Pension Liability - CalSTRS	5,844,909	6,503,145
Net Pension Liability - CalPERS	1,123,568	1,323,779
Totals	$ 15,553,988	$ 16,483,463

Total long-term liabilities increased $929,475, due primarily to current year increases in the District's total OPEB liability and net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

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

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2018	Fund Balances June 30, 2019	Increase (Decrease)
General	$ 9,474,940	$ 10,042,520	$ 567,580
Capital Projects - Special Reserve	2,939,701	595,201	(2,344,500)
Deferred Maintenance	48,810	47,114	(1,696)
Cafeteria	16,968	17,578	610
Child Development	151,773	238,919	87,146
Bond Interest & Redemption	401,483	404,786	3,303
Capital Facilities	116,216	135,887	19,671
Building	0	0	0
County School Facilities	6	6	0
Totals	$ 13,149,897	$ 11,482,011	$ (1,667,886)

The fund balance of the General Fund increased $567,580, and the combined fund balances of all other District governmental funds decreased $2,235,466.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the near future. In addition, the economy has finished its tenth year of expansion, lasting five years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 11,901,189
Receivables (Note 3)	481,533
Prepaid Expenses (Note 1H)	13,913
Capital Assets, Not Depreciated (Note 5)	4,828,712
Capital Assets, Net of Accumulated Depreciation	11,504,152
Total Assets	28,729,499
Deferred Outflows of Resources	
OPEB Deferrals (Note 7)	5,000
Pension Deferrals (Note 9)	3,167,816
Total Deferred Outflows of Resources	3,172,816
Liabilities	
Accounts Payable and Other Current Liabilities	902,432
Accrued Interest Payable	109,435
Unearned Revenue (Note 1H)	12,192
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	27,432
General Obligation Bonds	
Current Interest	117,000
Bond Premium	10,050
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 6)	
Current Interest	6,027,000
Bond Premium	221,931
Total OPEB Liability (Note 7)	2,253,126
Net Pension Liabilities (Note 9)	7,826,924
Total Liabilities	17,507,522
Deferred Inflows of Resources	
OPEB Deferrals (Note 7)	100,000
Pension Deferrals (Note 9)	875,248
Total Deferred Inflows of Resources	975,248
Net Position	
Net Investment in Capital Assets	9,956,883
Restricted:	
For Capital Projects	135,893
For Debt Service	295,351
For Educational Programs	610,353
For Other Purposes	32,491
Unrestricted	2,388,574
Total Net Position	$ 13,419,545

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities					
Instruction	$ 6,890,830		$ 1,172,340		$ (5,718,490)
Instruction-Related Services:					
Supervision of Instruction	14,121		3,998		(10,123)
Instructional Library and Technology	29,978				(29,978)
School Site Administration	596,629		35,580		(561,049)
Pupil Services:					
Home-to-School Transportation	84,105		8,376		(75,729)
Food Services	130,194	$ 42,361	61,354		(26,479)
Other Pupil Services	265,539		68,993		(196,546)
General Administration:					
Data Processing Services	1,136				(1,136)
Other General Administration	1,011,608		30,838		(980,770)
Plant Services	490,590		9,466		(481,124)
Ancillary Services	48,931		3,902		(45,029)
Community Services	190,319		7,109		(183,210)
Interest on Long-Term Debt	247,014				(247,014)
Other Outgo	13,564		2,988		(10,576)
Total Governmental Activities	$ 10,014,558	$ 42,361	$ 1,404,944	$ 0	(8,567,253)
General Revenues					
Taxes Levied for General Purposes					3,077,952
Taxes Levied for Debt Service					364,841
Federal and State Aid - Unrestricted					5,721,894
Interest and Investment Earnings					234,876
Transfers from Other Agencies					17,681
Miscellaneous					272,480
Total General Revenues					9,689,724
Change in Net Position					1,122,471
Net Position - July 1, 2018					12,297,074
Net Position - June 30, 2019					$ 13,419,545

GRAVENSTEIN UNION SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and Investments (Note 2)	$ 10,030,412	$ 1,035,971	$ 834,806	$ 11,901,189
Receivables (Note 3)	468,549		12,984	481,533
Due from Other Funds (Note 4)	3,500			3,500
Prepaid Expenditures (Note 1H)	13,913			13,913
Total Assets	$ 10,516,374	$ 1,035,971	$ 847,790	$ 12,400,135
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$ 461,662	$ 440,770		$ 902,432
Due to Other Funds (Note 4)			$ 3,500	3,500
Unearned Revenue (Note 1H)	12,192			12,192
Total Liabilities	473,854	440,770	3,500	918,124
Fund Balances: (Note 11)				
Nonspendable	14,913			14,913
Restricted	610,353		558,257	1,168,610
Committed			47,114	47,114
Assigned	5,907,904	595,201	238,919	6,742,024
Unassigned	3,509,350			3,509,350
Total Fund Balances	10,042,520	595,201	844,290	11,482,011
Total Liabilities and Fund Balances	$ 10,516,374	$ 1,035,971	$ 847,790	$ 12,400,135

GRAVENSTEIN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Fund Balances - Governmental Funds		$ 11,482,011
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	$ 22,483,675	
Accumulated Depreciation	(6,150,811)	
Net		16,332,864
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.		2,197,568
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	$ 27,432	
General Obligation Bonds:		
Current Interest	6,144,000	
Bond Premium	231,981	
Total OPEB Liability	2,253,126	
Net Pension Liability - CalSTRS	6,503,145	
Net Pension Liability - CalPERS	1,323,779	
Total		(16,483,463)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(109,435)
Total Net Position - Governmental Activities		$ 13,419,545

GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
LCFF Sources:				
State Apportionment / Transfers	$ 5,326,147		$ 19,507	$ 5,345,654
Local Taxes	3,077,952			3,077,952
Total LCFF Sources	8,404,099		19,507	8,423,606
Federal Revenue	135,896		55,827	191,723
State Revenue	1,081,751		15,595	1,097,346
Local Revenue	717,745	$ 23,809	682,800	1,424,354
Total Revenues	10,339,491	23,809	773,729	11,137,029
Expenditures				
Current:				
Instruction	6,352,007			6,352,007
Supervision of Instruction	13,133			13,133
Instructional Library and Technology	43,439			43,439
School Site Administration	536,729			536,729
Home-To-School Transportation	81,470			81,470
Food Services			122,871	122,871
Other Pupil Services	241,264			241,264
Data Processing Services	1,100			1,100
Other General Administration	651,036			651,036
Plant Services	453,916		46,652	500,568
Facilities Acquisition and Construction	379,814	3,283,376		3,663,190
Ancillary Services	47,299			47,299
Community Services			170,104	170,104
Other Outgo	10,700		2,864	13,564
Debt Service:				
Principal Retirement			108,000	108,000
Interest and Issuance Costs			259,141	259,141
Total Expenditures	8,811,907	3,283,376	709,632	12,804,915
Excess of Revenues Over (Under) Expenditures	1,527,584	(3,259,567)	64,097	(1,667,886)
Other Financing Sources (Uses)				
Operating Transfers In		915,067	44,937	960,004
Operating Transfers Out	(960,004)			(960,004)
Total Other Financing Sources (Uses)	(960,004)	915,067	44,937	0
Net Change in Fund Balances	567,580	(2,344,500)	109,034	(1,667,886)
Fund Balances - July 1, 2018	9,474,940	2,939,701	735,256	13,149,897
Fund Balances - June 30, 2019	$ 10,042,520	$ 595,201	$ 844,290	$ 11,482,011

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, 2019

Net Change in Fund Balances - Governmental Funds		$ (1,667,886)
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	$ 3,740,693	
Depreciation Expense	(298,058)	
Net		3,442,635
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:		(6,917)
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:		(282,160)
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:		(483,328)
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 were:		
General Obligation Bonds	$ 108,000	
Bond Premium	10,049	
		118,049
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The amount that accrued interest on outstanding long-term liabilities increased during the year was:		2,078
Change in Net Position of Governmental Activities		$ 1,122,471

GRAVENSTEIN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds	Total Fiduciary Funds
Assets		
Deposits and Investments (Note 2)	$ 9,933	$ 9,933
Total Assets	9,933	9,933
Liabilities		
Due to Student Groups	9,933	9,933
Total Liabilities	9,933	9,933
Net Position		
Restricted	0	0
Total Net Position	$ 0	$ 0

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).

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through the exercise of management's professional judgment, that inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and *(a)* it is able to impose its will on that organization or *(b)* there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has *(a)* a separately elected governing board, *(b)* a governing board appointed by a higher level of government, or *(c)* a jointly appointed board.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that the Magnet Program Foundation (the Foundation) meets the criteria set forth in GASB 39. However, since the Foundation does not issue audited financial statements, the financial statements of the District include only the financial data of the primary government, which consists of all funds that comprise the District's legal entity, and all funds for which it has a fiduciary responsibility. The financial statements do not include financial data of the Foundation, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, these financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Financial Reporting Entity, or the respective changes in its financial position.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

The District has determined that the cost of including audited financial data, of its legally separate component unit, in the financial statements of the District, far exceeds the benefits to be received by including such data. In addition, since the District's various oversight agencies do not require such data to be included, the District has elected to omit such data from its financial statements.

B. Basis of Presentation

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

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

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

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

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.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

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

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

Major Governmental Funds:

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

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.

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

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

The *Building Fund* is used to account for the proceeds generated from the sale of general obligation bonds. Expenditures are made from this fund for the purpose of financing the construction, renovation and repair of certain District facilities.

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

Fiduciary Funds:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Concluded)

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:

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

149,838NOTE 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. Other Postemployment 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.

7. Pensions

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

8. 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balances

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

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

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

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

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

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

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

10. 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 transition entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks	$ 149,838	$ 9,933
Cash in Revolving Fund	1,000	
County Pool Investments	11,750,351	
Total Deposits and Investments	$ 11,901,189	$ 9,933

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

County Pool Investments

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Sonoma County Investment Pool.

Weighted Average Maturity

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

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	$ 11,750,351	$ 11,764,569	552

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.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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, 2019:

Investment Type	Fair Value	Uncategorized
County Pool Investments	$ 11,764,569	$ 11,764,569

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

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2019, consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 90,190	$ 12,190	$ 102,380
State Government	235,612	782	236,394
Miscellaneous	142,747	12	142,759
Totals	$ 468,549	$ 12,984	$ 481,533

NOTE 4 - INTERFUND ACTIVITIES

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

A. Due To/Due From Other Funds

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

Funds	Interfund Receivables	Interfund Payables
General	$ 3,500	$
Cafeteria		3,500
Totals	$ 3,500	$ 3,500

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

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2018-19 were as follows:

Funds	Transfers In	Transfers Out
General		$ 960,004
Deferred Maintenance	$ 25,171	
Cafeteria	19,766	
Capital Projects - Special Reserve	915,067	
Totals	$ 960,004	$ 960,004

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

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

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

Transfer of $915,067 from the General Fund to the Capital Projects - Special Reserve Fund to provide funding for modernization projects.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2019, is shown below:

	Balances July 1, 2018	Additions	Deletions	Balances June 30, 2019
Capital Assets Not Being Depreciated:				
Land	$ 149,717			$ 149,717
Construction-in-Progress	987,444	$ 3,740,693	$ 49,142	4,678,995
Total Capital Assets Not Being Depreciated	1,137,161	3,740,693	49,142	4,828,712
Capital Assets Being Depreciated:				
Sites and Improvements	1,334,061			1,334,061
Buildings and Improvements	16,154,148	39,628		16,193,776
Furniture and Equipment	117,612	9,514		127,126
Total Capital Assets Being Depreciated	17,605,821	49,142	0	17,654,963
Less Accumulated Depreciation:				
Sites and Improvements	1,170,482	11,447		1,181,929
Buildings and Improvements	4,597,449	282,333		4,879,782
Furniture and Equipment	84,822	4,278		89,100
Total Accumulated Depreciation	5,852,753	298,058	0	6,150,811
Total Capital Assets Being Depreciated, Net	11,753,068	(248,916)	0	11,504,152
Governmental Activities Capital Assets, Net	$ 12,890,229	$ 3,491,777	$ 49,142	$ 16,332,864

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 215,862
Instruction-Related Services	20,071
Pupil Services	15,031
General Administration	31,726
Plant Services	15,368
Total	$ 298,058

NOTE 6 - GENERAL OBLIGATION BONDS

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

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

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

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

The outstanding general obligation debt of the District as of June 30, 2019, excluding $231,981 of unamortized bond premiums, is as follows:

Current Interest Bonds

Year Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019
2012	3.20	2024	$ 1,105,000	$ 637,000		$ 98,000	$ 539,000
2013	2.00-4.00	2044	3,000,000	2,685,000		10,000	2,675,000
2015	2.00-5.00	2043	3,000,000	2,930,000	$		2,930,000
Totals			$ 7,105,000	$ 6,252,000	$ 0	$ 108,000	$ 6,144,000

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2019, is as follows:

Year Ended June 30	Principal	Interest	Totals
2020	$ 117,000	$ 253,216	$ 370,216
2021	125,000	249,379	374,379
2022	143,000	245,196	388,196
2023	156,000	240,542	396,542
2024	173,000	235,233	408,233
2025-2029	530,000	1,123,503	1,653,503
2030-2034	1,005,000	993,147	1,998,147
2035-2039	1,715,000	701,400	2,416,400
2040-2044	2,180,000	219,850	2,399,850
Totals	$ 6,144,000	$ 4,261,466	$ 10,405,466

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description / Benefits Provided

Gravenstein Union School District's Other Post Employment Benefits Plan (Plan), is a single employer defined benefit healthcare plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No separate financial statements were issued for the plan. The District provides healthcare benefits to eligible employees. Eligibility requirements vary by employee classification.

The benefits provided to eligible retirees are as follows:

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

* Only up to the District cap

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

Employees covered by benefit terms

The number of employees covered by the benefit terms of the Plan as of July 1, 2017 are as follows:

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

Total OPEB Liability

The District's total OPEB liability of $2,253,126 was measured as of June 30, 2018 using the alternative measurement method and was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

Actuarial Assumptions

The total OPEB liability was determined using the alternative measurement method and a financial reporting actuarial valuation as of July 1, 2017, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation	3.00%
Salary Increases	3.00%
Discount Rate	3.62%
Healthcare cost trend rates	5.00% for 2018 and later years

The discount rate is based on the Municipal Bond 20-Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuations were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at Beginning of Year	$ 2,070,966
Changes for the year:	
Service cost	233,780
Interest on total OPEB liability	64,744
Changes in assumptions or other inputs	(111,364)
Benefit payments	(5,000)
Net changes	182,160
Balance at End of Year	$ 2,253,126

There were no changes in benefit terms or assumptions since the July 1, 2017 actuarial valuation, except for an increase of the discount rate from 3.13% at June 30, 2017 to 3.62% at June 30, 2018.

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

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.62%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current rate:

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

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

	Discount Rate 1% Decrease 2.62%	Discount Rate Current Rate 3.62%	Discount Rate 1% Increase 4.62%
District's Total OPEB Liability	$ 2,487,079	$ 2,253,126	$ 2,044,273

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

The following table presents the total OPEB liability as of the measurement date, calculated using the current healthcare cost trend rate of 5.00%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	Healthcare Cost Trend Rate 1% Decrease 4.00%	Healthcare Cost Trend Rate Current Rate 5.00%	Healthcare Cost Trend Rate 1% Increase 6.00%
District's Total OPEB Liability	$ 1,966,569	$ 2,253,126	$ 2,594,674

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

For the year ended June 30, 2019, the District recognized OPEB expense of $287,160. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 5,000	
Changes of assumptions or other inputs		$ 100,000
Totals	$ 5,000	$ 100,000

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019. Amounts reported as deferred inflows of resources related to OPEBs are the result of changes made to the discount rate and will be amortized over 9.8 years and recognized in OPEB expense as follows:

Year Ended June 30	
2020	$ 11,364
2021	11,364
2022	11,364
2023	11,364
2024	11,364
Thereafter	43,180

NOTE 8 - <u>OPERATING LEASES</u>

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

NOTE 9 - <u>RETIREMENT PLANS</u>

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 of resources, deferred inflows, and pension expense of resources in the accompanying government-wide financial statements as follows:

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 6,503,145	$ 2,775,482	$ 846,602	$ 1,579,662
CalPERS	1,323,779	392,334	28,646	327,808
Totals	$ 7,826,924	$ 3,167,816	$ 875,248	$ 1,907,470

A. <u>California State Teachers' Retirement System (CalSTRS)</u>

<u>Plan Description</u>

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

<u>Benefits Provided</u>

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older. All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to AB 1469, the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2018-19. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2018-19.

Employers: Pursuant to AB 1469, the employer contribution rate was 16.28% of applicable member earnings for fiscal year 2018-19. The District contributed $656,361 to the plan for the fiscal year ended June 30, 2019.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2019 was 5.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.828% for the fiscal year ended June 30, 2019.

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, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	$ 6,503,145
State's proportionate share of the net pension liability associated with the District	3,723,354
Total net pension liability attributed to District	$ 10,226,499

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017 was as follows:

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

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

Proportion - June 30, 2018	0.0071%
Proportion - June 30, 2017	0.0063%
Change - Increase (Decrease)	0.0008%

For the fiscal year ended June 30, 2019, the District recognized pension expense of $1,579,662, which includes $593,610 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 656,361	
Differences between expected and actual experience	18,015	$ 81,698
Changes of assumptions	902,340	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,198,766	525,671
Net differences between projected and actual earnings on plan investments		239,233
Totals	$ 2,775,482	$ 846,602

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, 2020. 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	
2020	$ 317,328
2021	249,001
2022	84,838
2023	321,041
2024	216,098
2025	84,213

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

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

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2018. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return [1]	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually)
	Maintain 85% purchasing power level for DB

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

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

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods *and Assumptions (Concluded)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	100%	

* 20-year average

Discount Rate

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

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

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

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

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	$ 9,526,346	$ 6,503,145	$ 3,996,617

Pension Plan's Fiduciary Net Position

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

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.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 18.062% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2019 was $129,292.

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, 2019, the District reported a liability of $1,323,779, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2018 and June 30, 2017 was as follows:

Proportion - June 30, 2018	0.0050%
Proportion - June 30, 2017	0.0047%
Change - Increase (Decrease)	0.0003%

For the fiscal year ended June 30, 2019, the District recognized pension expense of $327,808, which includes $44,880 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 129,292	
Differences between expected and actual experience	86,286	
Changes of assumptions	126,168	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	36,783	$ 28,646
Net differences between projected and actual earnings on plan investments	13,805	
Totals	$ 392,334	$ 28,646

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, 2020. 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	
2020	$ 122,402
2021	108,061
2022	11,747
2023	(7,814)

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 years as of June 30, 2018. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial methods and assumptions

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

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

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

All other actuarial assumptions used in the June 20, 2017 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 were 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.

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

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

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

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

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

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

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	$ 1,927,359	$ 1,323,779	$ 823,023

Pension Plan Fiduciary Net Position

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

C. Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 10 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019, is shown below:

	Balances July 1, 2018	Additions	Deductions	Balances June 30, 2019	Due within One Year
Long-Term Debt:					
General Obligation Bonds:					
Current Interest	$ 6,252,000		$ 108,000	$ 6,144,000	$ 117,000
Bond Premium	242,030		10,049	231,981	10,050
Other Long-Term Liabilities:					
Compensated Absences	20,515	$ 27,432	20,515	27,432	27,432
Total OPEB Liability	2,070,966	187,160	5,000	2,253,126	
Net Pension Liability - CalSTRS	5,844,909	658,236		6,503,145	
Net Pension Liability - CalPERS	1,123,568	200,211		1,323,779	
Totals	$ 15,553,988	$ 1,073,039	$ 143,564	$ 16,483,463	$ 154,482

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

NOTE 11 - FUND BALANCES

The District's fund balances at June 30, 2019 consisted of the following:

	General Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:				
Revolving Cash	$ 1,000			$ 1,000
Prepaid Expenditures	13,913			13,913
Total Nonspendable	14,913			14,913
Restricted:				
Categorical Programs	564,640		$ 17,578	582,218
Debt Service			404,786	404,786
Developer Fees			135,887	135,887
Local Programs	45,713		6	45,719
Total Restricted	610,353		558,257	1,168,610
Committed				
Deferred Maintenance			47,114	47,114
Total Committed	0		47,114	47,114
Assigned:				
Textbook Adoption	350,000			350,000
STRS & PERS Increase	110,000			110,000
Reserve for Enrichments	1,500,000			1,500,000
30% Rainy Day Reserve	2,589,856			2,589,856
Special Reserve	526,261			526,261
OPEB Reserve	831,787			831,787
Child Development			238,919	238,919
Capital Projects		$ 595,201		595,201
Total Assigned	5,907,904	595,201	238,919	6,742,024
Unassigned:				
Reserve for Economic Uncertainties	431,643			431,643
Remaining Unassigned Balance	3,077,707			3,077,707
Total Unassigned	3,509,350	0	0	3,509,350
Total Fund Balances	$ 10,042,520	$ 595,201	$ 844,290	$ 11,482,011

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

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) for K-12 Education. These payments consist of state general fund contributions of $593,610 to CalSTRS and $44,840 to CalPERS.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018-19, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 14 - JOINT VENTURES

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

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

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

NOTE 15 - ECONOMIC DEPENDENCY

During fiscal year 2018-19, the District received $203,472 from the Magnet Program Foundation, that is subject to voluntary public contributions.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

B. Litigation

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

NOTE 17 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through January 6, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
LCFF Sources:				
State Apportionment / Transfers	$ 3,357,158	$ 3,546,505	$ 5,326,147	$ 1,779,642
Local Sources	2,886,761	3,005,183	3,077,952	72,769
Total LCFF Sources	6,243,919	6,551,688	8,404,099	1,852,411
Federal Revenue	163,519	176,031	135,896	(40,135)
Other State Revenue	632,250	935,157	1,081,751	146,594
Other Local Revenue	392,697	655,365	717,745	62,380
Total Revenues	7,432,385	8,318,241	10,339,491	2,021,250
Expenditures				
Current:				
Certificated Salaries	3,792,453	4,108,728	4,108,728	
Classified Salaries	623,990	703,739	703,739	
Employee Benefits	1,663,196	2,109,083	2,106,516	2,567
Books and Supplies	231,209	466,146	412,066	54,080
Services and Other				
Operating Expenditures	1,440,882	1,310,587	1,191,267	119,320
Capital Outlay	25,000	484,685	278,891	205,794
Other Expenditures	16,500	16,200	10,700	5,500
Total Expenditures	7,793,230	9,199,168	8,811,907	387,261
Excess of Revenues Over (Under) Expenditures	(360,845)	(880,927)	1,527,584	2,408,511
Other Financing (Uses)				
Operating Transfers Out	(44,937)	(983,004)	(960,004)	23,000
Net Change in Fund Balances	(405,782)	(1,863,931)	567,580	$ 2,431,511
Fund Balances - July 1, 2018	9,474,940	9,474,940	9,474,940	
Fund Balances - June 30, 2019	$ 9,069,158	$ 7,611,009	$ 10,042,520	

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *

JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service Cost	$ 233,780	$ 226,972
Interest on Total OPEB Liability	64,744	56,501
Changes in Assumptions or Other Inputs	(111,364)	
Benefit Payments	(5,000)	(25,350)
Net Change in Total OPEB Liability	182,160	258,123
Total OPEB Liability - Beginning	2,070,966	1,812,843
Total OPEB Liability - Ending	$ 2,253,126	$ 2,070,966
Covered-employee Payroll	$ 3,505,475	$ 3,352,170
District's Total OPEB Liability as a % of Covered-employee Payroll	64.27%	61.78%

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

GRAVENSTEIN UNION SCHOOL DISTRICT

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

JUNE 30, 2019

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2019	0.0071%	$ 6,503,145	$ 3,723,354	$ 10,226,499	$ 3,766,542	172.66%	70.99%
2018	0.0063%	5,844,909	3,457,799	9,302,708	3,349,658	174.49%	69.46%
2017	0.0068%	5,505,293	3,134,065	8,639,358	3,392,246	162.29%	70.04%
2016	0.0052%	3,469,120	1,834,782	5,303,902	2,391,689	145.05%	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT

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

JUNE 30, 2019

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2019	0.0050%	$ 1,323,779	$ 654,858	202.15%	70.85%
2018	0.0047%	1,123,568	600,173	187.21%	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, 2019

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
2019	$ 656,361	$ 656,361	$ -	$ 4,031,701	16.28%
2018	542,113	542,113	-	3,756,847	14.43%
2017	427,862	427,862	-	3,401,129	12.58%
2016	344,855	344,855	-	3,213,933	10.73%
2015	263,616	263,616	-	2,968,648	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, 2019

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
2019	$ 129,292	$ 129,292	$ -	$ 715,823	18.062%
2018	101,706	101,706	-	654,858	15.531%
2017	83,228	83,228	-	599,280	13.888%
2016	67,865	67,865	-	572,845	11.847%
2015	70,045	70,045	-	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, 2019

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 as of June 30, 2019.

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

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

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

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

D. Schedule of Contributions

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

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Trust Assets

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

B. Benefit Terms

There have been no changes to benefit terms since the July 1, 2017 valuation.

C. Changes in Assumptions or other inputs

The discount rate increased from 3.13% at July 1, 2017 to 3.62 at June 30, 2018.

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

A. Benefit Terms

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

B. Changes in Assumptions

During fiscal year 2017-18, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

As a result of the study, CalPERS also changed the following assumption used in determining the NPL as follows:

Assumption	As of June 30, 2018	As of June 30, 2017
Inflation	2.50%	2.75%

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

SUPPLEMENTARY INFORMATION SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT

ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

ORGANIZATION

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

BOARD OF TRUSTEES

Name	Office	Term Expires
Steve Schwartz	President	December 2020
Gregory Appling	Clerk	December 2022
Jennifer Koelemeijer	Member	December 2022
Alexander Kahn	Member	December 2020
Unfilled Position	Member	December 2022

ADMINISTRATION

Dave Rose
Superintendent

Wanda Holden
Business Manager

GRAVENSTEIN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Deferred Maintenance	Cafeteria	Child Development
Assets			
Deposits and Investments	$ 47,114	$ 8,106	$ 238,907
Receivables		12,972	12
Total Assets	$ 47,114	$ 21,078	$ 238,919
Liabilities and Fund Balances			
Liabilities:			
Due to Other Funds		$ 3,500	
Total Liabilities		3,500	
Fund Balances:			
Restricted		17,578	
Committed	$ 47,114		
Assigned			$ 238,919
Total Fund Balances	47,114	17,578	238,919
Total Liabilities and Fund Balances	$ 47,114	$ 21,078	$ 238,919

Bond Interest and Redemption	Capital Facilities	Building	County School Facilities	Total Non-Major Governmental Funds
$ 404,786	$ 135,887		$ 6	$ 834,806
				12,984
$ 404,786	$ 135,887	$ 0	$ 6	$ 847,790
				3,500
				3,500
$ 404,786	$ 135,887		$ 6	558,257
				47,114
				238,919
404,786	135,887		6	844,290
$ 404,786	$ 135,887	$ 0	$ 6	$ 847,790

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, 2019

	Deferred Maintenance	Cafeteria	Child Development
Revenues			
LCFF Sources:			
State Apportionment / Transfers	$ 19,507		
Federal Revenue		$ 55,827	
State Revenue		5,436	$ 7,109
Local Revenue	270	42,452	250,141
Total Revenues	19,777	103,715	257,250
Expenditures			
Current:			
Food Services		122,871	
Plant Services	46,644		
Community Services			170,104
Other Outgo			
Debt Service:			
Principal Retirement			
Interest and Issuance Costs			
Total Expenditures	46,644	122,871	170,104
Excess of Revenues Over (Under) Expenditures	(26,867)	(19,156)	87,146
Other Financing Sources			
Operating Transfers In	25,171	19,766	
Net Change in Fund Balances	(1,696)	610	87,146
Fund Balances - July 1, 2018	48,810	16,968	151,773
Fund Balances - June 30, 2019	$ 47,114	$ 17,578	$ 238,919

Bond Interest and Redemption	Capital Facilities	Building	County School Facilities	Total Non-Major Governmental Funds
				$ 19,507
				55,827
$ 3,050				15,595
367,394	$ 22,535	$ 8		682,800
370,444	22,535	8		773,729
				122,871
		8		46,652
				170,104
	2,864			2,864
108,000				108,000
259,141				259,141
367,141	2,864	8		709,632
3,303	19,671	0		64,097
				44,937
3,303	19,671	0		109,034
401,483	116,216	0	$ 6	735,256
$ 404,786	$ 135,887	$ 0	$ 6	$ 844,290

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	P-2 Report			
	TK / K - 3	**4 - 6**	**7 - 8**	**Totals**
Regular	33.24			33.24
Special Education - Nonpublic		0.54	0.68	1.22
Community Day School	0.70		0.69	1.39
Totals	33.94	0.54	1.37	35.85

	Annual Report			
	TK / K - 3	**4 - 6**	**7 - 8**	**Totals**
Regular	33.61			33.61
Special Education - Nonpublic		0.64	0.64	1.28
Community Day School	1.02		0.94	1.96
Totals	34.63	0.64	1.58	36.85

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	P-2 Report			Annual Report		
	Classroom-Based	Non-Classroom-Based	Totals	Classroom-Based	Non-Classroom-Based	Totals
Gravenstein Elementary Charter School:						
TK / K - 3	273.53	3.59	277.12	273.84	3.30	277.14
Grades 4 - 6	169.31	1.72	171.03	168.91	2.00	170.91
Totals	442.84	5.31	448.15	442.75	5.30	448.05
Hillcrest Middle Charter School:						
Grades 4 - 6	66.16	0.34	66.50	66.09	0.30	66.39
Grades 7 - 8	168.31	0.60	168.91	166.71	0.73	167.44
Totals	234.47	0.94	235.41	232.80	1.03	233.83

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Required	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 1	50,400	53,390	180	N/A	In Compliance

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Required	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Gravenstein Elementary					
Kindergarten	36,000	53,390	180	N/A	In Compliance
Grade 1	50,400	55,890	180	N/A	In Compliance
Grade 2	50,400	55,890	180	N/A	In Compliance
Grade 3	50,400	55,890	180	N/A	In Compliance
Grade 4	54,000	55,890	180	N/A	In Compliance
Grade 5	54,000	55,890	180	N/A	In Compliance
Hillcrest Middle					
Grade 6	54,000	55,862	180	N/A	In Compliance
Grade 7	54,000	55,862	180	N/A	In Compliance
Grade 8	54,000	55,862	180	N/A	In Compliance

GRAVENSTEIN UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue - Special Reserve Fund	Special Reserve For Post Employment Benefits Fund	Capital Projects - Special Reserve Fund
June 30, 2019 Annual Financial and Budget Report Fund Balances	$ 8,813,385	$ 526,261	$ 831,787	$ 925,633
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:				
Understatement of Capital Outlay Expenditures	(128,913)			(330,432)
Reclassifications of Fund Balances	1,358,048	(526,261)	(831,787)	
Net Adjustments and Reclassifications Increasing (Decreasing) Fund Balances	1,229,135	(526,261)	(831,787)	(330,432)
June 30, 2019 Audited Financial Statements Fund Balances	$10,042,520	$ 0	$ 0	$ 595,201

Auditor's Comments

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

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2019.

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	GENERAL FUND			
	(Budget) 2019-20	2018-19	2017-18	2016-17
Revenues and Other Financial Sources	$ 7,634,611	$ 10,339,491	$ 9,432,043	$ 8,813,922
Expenditures	8,709,274	8,811,907	7,211,973	6,602,194
Other Uses and Transfers Out	44,937	960,004	2,087,656	2,861,354
Total Outgo	8,754,211	9,771,911	9,299,629	9,463,548
Change in Fund Balance	(1,119,600)	567,580	132,414	(649,626)
Ending Fund Balance	$ 8,922,920	$ 10,042,520	$ 9,474,940	$ 9,342,526
Available Reserves	$ 2,263,984	$ 3,509,350	$ 2,995,791	$ 3,761,687
Reserve for Economic Uncertainties	$ 350,186	$ 431,643	$ 384,200	$ 432,563
Available Reserves as a Percentage of Total Outgo	25.9%	35.9%	32.2%	39.7%
Total Long-Term Liabilities	$ 16,328,981	$ 16,483,463	$ 15,553,988	$ 14,948,585
Average Daily Attendance at P-2 (Inclusive of Charter Schools)	729	719	703	690

* Reported balances are a component of available reserves.

The fund balance of the General Fund increased $699,994 (7.5%) over the past two years. The fiscal year 2019-20 budget projects a decrease $1,119,600 (11.1%). 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 an operating deficit of $649,626 during fiscal year 2016-17, and produced operating surpluses of $132,414 and $567,580 during fiscal years 2017-18 and 2018-19, respectively.

Total long-term liabilities increased $1,534,878 over the past two years, due primarily to current year increases in the District's total OPEB liability and net pension liabilities related to its participation in the CalSTRS and CalPERS pension

Average daily attendance (ADA) increased 29 ADA over the past two years. The District projects an increase of 10 ADA during fiscal year 2019-20.

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Average Daily Attendance - Charter Schools

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

D. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year and has met its LCFF funding target. 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

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by Gravenstein Elementary and Hillcrest Middle Charter Schools and whether the charter schools complied with the provisions of Education Code Section 47612.5(a)(1). During fiscal year 2018-19, the charter schools complied with the applicable instructional time requirements but did not meet or exceed the LCFF funding targets.

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

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

G. Schedule of Financial Trends and Analysis

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

H. Schedule of Charter Schools

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Gravenstein Union School District
Sebastopol, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Gravenstein Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (See below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

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

Opinion on State Compliance

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2018-19 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

January 6, 2020

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Board of Trustees
Gravenstein Union School District
Sebastopol, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gravenstein Union School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2020 that included an unmodified opinion on the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the discretely presented component unit. The report on the financial statements included an adverse opinion on the discretely presented component unit because the financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements.

Internal Control over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (Concluded)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses, as noted in **Finding 2019-001**.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of 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

January 6, 2020

FINDINGS AND QUESTIONED COSTS SECTION

GRAVENSTEIN UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified with Adverse Opinion on Discretely Presented Component Unit	
Internal control over financial reporting:		
Material weaknesses identified?	X Yes	___ No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

State Awards

Any audit findings required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?*	___ Yes	X No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II - FINANCIAL STATEMENT FINDINGS

2019 - 001 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - EXPENDITURE RECOGNITION

Criteria:	Each year, school 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. Therefore, school 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 omissions or misstatements. Accordingly, since expenditures are generally recognized in the accounting period in which the related fund liability is incurred, regardless of when the related invoices or progress billings are actually received, districts should have appropriate procedures in place to ensure that all significant expenditures are recorded in the appropriate financial reporting period.
Condition:	The District does not currently have appropriate procedures in place to ensure that all significant expenditures, related to facilities projects, are recorded in the appropriate financial reporting period. As a result, the 2018-19 "Unaudited Actuals" financial report, prepared by the District, did not include $459,345 of capital outlay expenditures that were related to work completed during fiscal year 2018-19.
Questioned Costs:	None.
Context:	The condition appears to be limited to facilities projects.
Effect:	The amount of liabilities and expenditures reported in the General Fund and Capital Projects - Special Reserve Fund were materially understated. The adjustments that were made to ensure that the financial statements are fairly stated is presented on page 72.
Cause:	The District did not have appropriate procedures in place to ensure that all significant expenditures are recorded in the appropriate financial reporting period.
Recommendation:	The District should establish appropriate procedures to ensure that all significant expenditures are recorded in the appropriate financial reporting period.
District Response:	The District has now established the procedure for the accounts payable clerk to highlight the dates of service on all invoices after July 1st. The invoices that are for services that were received prior to June 30th will be sorted into a separate pay batch from those that were for services provided on or after July 1st. In this way the District will avoid confusion and the CBO will be able to confirm confidently that the expenses are accounted for in the correct year.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2019.

GRAVENSTEIN UNION SCHOOL DISTRICT

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

There were no matters reported in the prior year audit report.